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Yum China Holdings, Inc.
百勝中國控股有限公司
(Incorporated in the State of Delaware of the United States of America)
(Stock Code: 9987)

OVERSEAS REGULATORY ANNOUNCEMENT — FORM 10-Q

This announcement is made by Yum China Holdings, Inc. (the "**Company**") pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the attached for the quarterly report on Form 10-Q for the quarter ended June 30, 2025 which the Company has filed with the U.S. Securities and Exchange Commission on August 11, 2025 (U.S. Eastern Time).

By order of the Board
Yum China Holdings, Inc.
Joey WAT
Director and Chief Executive Officer

Hong Kong, August 11, 2025

As of the date of this announcement, the Board comprises Dr. Fred HU as the chairman and an independent director, Ms. Joey WAT as an executive director, Mr. Robert B. AIKEN as a non-executive director, and Ms. Mikel A. DURHAM, Mr. Edouard ETTEDGUI, Ms. Grace Xin GE, Mr. David HOFFMANN, Ms. Ruby LU, Mr. Zili SHAO, Mr. William WANG, Mr. Zhe (David) WEI, Ms. Min (Jenny) ZHANG and Ms. Christina Xiaojing ZHU as independent directors.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-37762

Yum China Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**81-2421743**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
101 East Park Boulevard, Suite 805 Plano, Texas 75074 United States of America	**Yum China Building 20 Tian Yao Qiao Road Shanghai 200030 People's Republic of China**

(Address, Including Zip Code, of Principal Executive Offices)

(469) 980-2898

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	YUMC	New York Stock Exchange
	9987	The Stock Exchange of Hong Kong Limited

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of August 4, 2025 was 368,718,164 shares.

Yum China Holdings, Inc.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Income (Unaudited)
Yum China Holdings, Inc.
(in US$ millions, except per share data)

	Quarter Ended		Year to Date Ended	
Revenues	**6/30/2025**	**6/30/2024**	**6/30/2025**	**6/30/2024**
Company sales	$ 2,613	$ 2,528	$ 5,414	$ 5,322
Franchise fees and income	24	22	51	47
Revenues from transactions with franchisees	115	96	236	203
Other revenues	35	33	67	65
Total revenues	2,787	2,679	5,768	5,637
Costs and Expenses, Net				
Company restaurants				
Food and paper	810	797	1,684	1,693
Payroll and employee benefits	712	666	1,431	1,374
Occupancy and other operating expenses	669	674	1,357	1,371
Company restaurant expenses	2,191	2,137	4,472	4,438
General and administrative expenses	131	133	269	273
Franchise expenses	10	9	21	19
Expenses for transactions with franchisees	110	92	227	196
Other operating costs and expenses	30	29	59	58
Closures and impairment expenses, net	12	13	18	14
Other income, net	(1)	—	(1)	(1)
Total costs and expenses, net	2,483	2,413	5,065	4,997
Operating Profit	304	266	703	640
Interest income, net	25	31	51	69
Investment (loss) gain	(18)	8	(15)	16
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments	311	305	739	725
Income tax provision	(80)	(77)	(199)	(190)
Equity in net earnings (losses) from equity method investments	2	—	6	—
Net income – including noncontrolling interests	233	228	546	535
Net income – noncontrolling interests	18	16	39	36
Net Income – Yum China Holdings, Inc.	$ 215	$ 212	$ 507	$ 499
Weighted-average common shares outstanding (in millions):				
Basic	373	389	374	395
Diluted	374	391	376	397
Basic Earnings Per Common Share	$ 0.58	$ 0.55	$ 1.36	$ 1.27
Diluted Earnings Per Common Share	$ 0.58	$ 0.55	$ 1.35	$ 1.26

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)
Yum China Holdings, Inc.
(in US$ millions)

	Quarter Ended		Year to Date Ended	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Net income – including noncontrolling interests	$ 233	$ 228	$ 546	$ 535
Other comprehensive income (loss), net of tax of nil:				
Foreign currency translation adjustments	60	(30)	87	(111)
Comprehensive income – including noncontrolling interests	293	198	633	424
Comprehensive income – noncontrolling interests	25	12	50	22
Comprehensive Income – Yum China Holdings, Inc.	$ 268	$ 186	$ 583	$ 402

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)
Yum China Holdings, Inc.
(in US$ millions)

	Year to Date Ended	
	6/30/2025	6/30/2024
Cash Flows – Operating Activities		
Net income – including noncontrolling interests	$ 546	$ 535
Depreciation and amortization	219	235
Non-cash operating lease cost	199	203
Closures and impairment expenses	18	14
Investment loss (gain)	15	(16)
Equity in net (earnings) losses from equity method investments	(6)	—
Distributions of income received from equity method investments	9	7
Deferred income taxes	(3)	(2)
Share-based compensation expense	22	23
Changes in accounts receivable	(13)	(5)
Changes in inventories	52	52
Changes in prepaid expenses, other current assets and value-added tax assets	(8)	(28)
Changes in accounts payable and other current liabilities	(53)	27
Changes in income taxes payable	24	25
Changes in non-current operating lease liabilities	(200)	(206)
Other, net	43	(21)
Net Cash Provided by Operating Activities	864	843
Cash Flows – Investing Activities		
Capital spending	(259)	(358)
Purchases of short-term investments, long-term bank deposits and notes	(3,924)	(1,479)
Maturities of short-term investments, long-term bank deposits and notes	3,905	1,702
Acquisition of equity investment	(14)	—
Other, net	2	3
Net Cash Used in Investing Activities	(290)	(132)
Cash Flows – Financing Activities		
Proceeds from short-term borrowings	—	307
Repayment of short-term borrowings	(129)	(52)
Repurchase of shares of common stock	(368)	(869)
Cash dividends paid on common stock	(180)	(126)
Dividends paid to noncontrolling interests	(25)	(28)
Other, net	(7)	(17)
Net Cash Used in Financing Activities	(709)	(785)
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	4	(11)
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(131)	(85)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	723	1,128
Cash, Cash Equivalents, and Restricted Cash - End of Period	$ 592	$ 1,043
Supplemental Cash Flow Data		
Cash paid for income tax	183	187
Cash paid for interest	—	4
Non-cash Investing and Financing Activities		
Capital expenditures included in accounts payable and other current liabilities	132	167

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Balance Sheets
Yum China Holdings, Inc.
(in US$ millions)

	6/30/2025 (Unaudited)	12/31/2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 592	$ 723
Short-term investments	1,563	1,121
Accounts receivable, net	94	79
Inventories, net	360	405
Prepaid expenses and other current assets	383	366
Total Current Assets	2,992	2,694
Property, plant and equipment, net	2,415	2,407
Operating lease right-of-use assets	2,103	2,146
Goodwill	1,915	1,880
Intangible assets, net	145	144
Long-term bank deposits and notes	626	1,088
Equity investments	382	368
Deferred income tax assets	142	138
Other assets	263	256
Total Assets	10,983	11,121
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	2,056	2,080
Short-term borrowings	—	127
Income taxes payable	101	76
Total Current Liabilities	2,157	2,283
Non-current operating lease liabilities	1,760	1,816
Non-current finance lease liabilities	48	49
Deferred income tax liabilities	395	389
Other liabilities	154	157
Total Liabilities	4,514	4,694
Redeemable Noncontrolling Interest	13	13
Equity		
Common stock, $0.01 par value; 1,000 million shares authorized; 371 million shares and 379 million shares issued at June 30, 2025 and December 31, 2024, respectively; 371 million shares and 378 million shares outstanding at June 30, 2025 and December 31, 2024, respectively.	4	4
Treasury stock	(12)	(52)
Additional paid-in capital	3,952	4,028
Retained earnings	2,110	2,089
Accumulated other comprehensive loss	(265)	(341)
Total Yum China Holdings, Inc. Stockholders' Equity	5,789	5,728
Noncontrolling interests	667	686
Total Equity	6,456	6,414
Total Liabilities, Redeemable Noncontrolling Interest and Equity	$ 10,983	$ 11,121

See accompanying Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Equity (Unaudited)
Yum China Holdings, Inc.
(in US$ millions)

	Yum China Holdings, Inc.									
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interest
	Shares*	Amount				Shares	Amount			
Balance at March 31, 2025	**375**	**$ 4**	**$ 3,982**	**$ 2,124**	**$ (318)**	**—**	**$ (8)**	**$ 642**	**$ 6,426**	**$ 13**
Net Income				215				18	233	—
Foreign currency translation adjustments					53			7	60	—
Comprehensive income									293	—
Cash dividends declared ($0.24 per common share)				(90)					(90)	
Repurchase and retirement of shares	(4)	—	(43)	(139)		—	(4)		(186)	
Exercise and vesting of share-based awards	—	—	—						—	
Share-based compensation			13					—	13	
Balance at June 30, 2025	**371**	**$ 4**	**$ 3,952**	**$ 2,110**	**$ (265)**	**—**	**$ (12)**	**$ 667**	**$ 6,456**	**$ 13**
Balance at March 31, 2024	**394**	**$ 4**	**$ 4,159**	**$ 2,078**	**$ (300)**	**(2)**	**$ (76)**	**$ 710**	**$ 6,575**	**$ 13**
Net Income				212				16	228	—
Foreign currency translation adjustments					(26)			(4)	(30)	—
Comprehensive income									198	—
Cash dividends declared ($0.16 per common share)				(62)					(62)	
Distributions to/contributions from noncontrolling interests								(65)	(65)	
Repurchase and retirement of shares	(6)	—	(69)	(180)		1	59		(190)	
Exercise and vesting of share-based awards	—	—	—						—	
Share-based compensation			13					—	13	
Balance at June 30, 2024	**387**	**$ 4**	**$ 4,103**	**$ 2,048**	**$ (326)**	**(1)**	**$ (17)**	**$ 657**	**$ 6,469**	**$ 13**

	Yum China Holdings, Inc.									
	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury Stock		Noncontrolling	Total	Redeemable Noncontrolling
	Shares*	Amount	Capital	Earnings	Loss	Shares	Amount	Interests	Equity	Interest
Balance at December 31, 2024	**379**	**$ 4**	**$ 4,028**	**$ 2,089**	**$ (341)**	**(1)**	**$ (52)**	**$ 686**	**$ 6,414**	**$ 13**
Net Income				507				39	546	—
Foreign currency translation adjustments					76			11	87	—
Comprehensive income									633	—
Cash dividends declared ($0.48 per common share)				(180)					(180)	
Distributions to noncontrolling interests								(69)	(69)	
Repurchase and retirement of shares	(9)	—	(93)	(306)		1	40		(359)	
Exercise and vesting of share-based awards	1	—	(5)						(5)	
Share-based compensation			22					—	22	
Balance at June 30, 2025	**371**	**$ 4**	**$ 3,952**	**$ 2,110**	**$ (265)**	**—**	**$ (12)**	**$ 667**	**$ 6,456**	**$ 13**
Balance at December 31, 2023	**407**	**$ 4**	**$ 4,320**	**$ 2,310**	**$ (229)**	**—**	**$ —**	**$ 701**	**$ 7,106**	**$ 13**
Net Income				499				36	535	—
Foreign currency translation adjustments					(97)			(14)	(111)	—
Comprehensive income									424	—
Cash dividends declared ($0.32 per common share)				(126)					(126)	
Distributions to/contributions from noncontrolling interests								(66)	(66)	
Repurchase and retirement of shares	(21)	—	(225)	(635)		(1)	(17)		(877)	
Exercise and vesting of share-based awards	1	—	(15)						(15)	
Share-based compensation			23					—	23	
Balance at June 30, 2024	**387**	**$ 4**	**$ 4,103**	**$ 2,048**	**$ (326)**	**(1)**	**$ (17)**	**$ 657**	**$ 6,469**	**$ 13**

*: Shares may not add due to rounding.

See accompanying Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Tabular amounts in US$ millions, except as otherwise noted)

Note 1 – Description of Business

Yum China Holdings, Inc. ("Yum China" and, together with its subsidiaries, the "Company," "we," "us," and "our") was incorporated in Delaware on April 1, 2016.

The Company owns, franchises or has ownership in entities that own and operate restaurants (also referred to as "stores" or "units") under the KFC, Pizza Hut, Lavazza, Huang Ji Huang, Little Sheep and Taco Bell concepts (collectively, the "concepts"). In connection with the separation of the Company in 2016 from its former parent company, Yum! Brands, Inc. ("YUM"), a master license agreement was entered into between Yum Restaurants Consulting (Shanghai) Company Limited ("YCCL"), a wholly-owned indirect subsidiary of the Company and YUM, through YRI China Franchising LLC, a subsidiary of YUM, effective from January 1, 2020 and previously through Yum! Restaurants Asia Pte. Ltd., another subsidiary of YUM, from October 31, 2016 to December 31, 2019, for the exclusive right to use and sublicense the use of intellectual property owned by YUM and its subsidiaries for the development and operation of the KFC, Pizza Hut and, subject to achieving certain agreed-upon milestones, Taco Bell brands and their related marks and other intellectual property rights for restaurant services in the People's Republic of China (the "PRC" or "China"), excluding Hong Kong, Macau and Taiwan. The term of the license is 50 years from October 31, 2016 for the KFC and Pizza Hut brands and, subject to achieving certain agreed-upon milestones, 50 years from April 15, 2022 for the Taco Bell brand, with automatic renewals for additional consecutive renewal terms of 50 years each, subject only to us being in "good standing" and unless we give notice of our intent not to renew. In exchange, we pay a license fee to YUM equal to 3% of net system sales from both our Company and franchise restaurants. We own the intellectual property of Huang Ji Huang and Little Sheep and pay no license fee related to these concepts.

In 1987, KFC was the first major global restaurant brand to enter China. As of June 30, 2025, there were 12,238 KFC stores in China. We maintain a controlling interest of 58%, 70%, 83%, 92% and approximately 60% in the entities that own and operate the KFCs in and around Shanghai, Beijing, Wuxi, Suzhou and Hangzhou, respectively.

The first Pizza Hut in China opened in 1990. As of June 30, 2025, there were 3,864 Pizza Hut restaurants in China.

In the second quarter of 2020, the Company partnered with Luigi Lavazza S.p.A. ("Lavazza Group"), the world-renowned family-owned Italian coffee company, and established a joint venture ("Lavazza joint venture"), to explore and develop the Lavazza coffee concept in China. Lavazza joint venture operates both the coffee shop business and the retail business. We maintain a controlling interest of 65% equity interest in the Lavazza joint venture.

In 2017, the Company acquired a controlling interest in the holding company of DAOJIA.com.cn ("Daojia"), an online food delivery service provider in China. This business was extended to also include a team managing the delivery services for restaurants, including restaurants in our system, with their results reported under our delivery operating segment.

The Company has two reportable segments: KFC and Pizza Hut. Our non-reportable operating segments, including the operations of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell, and our delivery operating segment, are combined and referred to as All Other Segments, as these operating segments are insignificant both individually and in the aggregate. For 2024, All Other Segments also consisted of e-commerce segment, which included the operating results of Shaofaner, a retail brand selling packaged foods through online and offline channels until August 2024. Additional details on our segment reporting are included in Note 13.

The Company's common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "YUMC." On September 10, 2020, the Company completed a secondary listing of its common stock on the Main Board of the Hong Kong Stock Exchange ("HKEX") under the stock code "9987," in connection with a global offering of 41,910,700 shares of its common stock. Net proceeds raised by the Company from the global offering after deducting underwriting fees and the offering expenses amounted to $2.2 billion. On October 24, 2022, the Company's voluntary conversion of its secondary listing status to a primary listing status on the HKEX became effective ("Primary Conversion") and the Company became a dual primary listed company on the NYSE and HKEX. On the same day, the Company's shares of common stock traded on the HKEX were included in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The Company's common stock listed on the NYSE and HKEX continue to be fully fungible.

Note 2 – Basis of Presentation

Our preparation of the accompanying Condensed Consolidated Financial Statements in conformity with Generally Accepted Accounting Principles in the United States of America ("GAAP") requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

We have prepared the Condensed Consolidated Financial Statements in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The Condensed Consolidated Financial Statements include all normal and recurring adjustments considered necessary to present fairly our financial position as of June 30, 2025, and our results of operations, comprehensive income, statements of equity for the quarters and years to date ended June 30, 2025 and 2024, and cash flows for the years to date ended June 30, 2025 and 2024. Our results of operations, comprehensive income and cash flows for these interim periods are not necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K as filed with the SEC on February 27, 2025.

Through the acquisition of Daojia, the Company also acquired a variable interest entity ("VIE") and subsidiaries of the VIE effectively controlled by Daojia. There exists a parent-subsidiary relationship between Daojia and its VIE as a result of certain exclusive agreements that require Daojia to consolidate its VIE and subsidiaries of the VIE because Daojia is the primary beneficiary that possesses the power to direct the activities of the VIE that most significantly impact its economic performance, and is entitled to substantially all of the profits and has the obligation to absorb all of the expected losses of the VIE. The acquired VIE and its subsidiaries were considered immaterial, both individually and in the aggregate. The results of Daojia's operations have been included in the Company's Condensed Consolidated Financial Statements since the acquisition date.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) — Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), requiring public business entities to provide disclosures of significant expenses and other segment items. The guidance also requires public entities to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. ASU 2023-07 is effective for the Company for annual periods from January 1, 2024, and for interim periods from January 1, 2025, with early adoption permitted. We adopted this standard for annual disclosure in 2024 and for interim disclosure in 2025, and such adoption did not have a material impact on our financial statements. See Note 13 for further information.

Note 3 – Business Acquisitions and Equity Investments

Consolidation of Hangzhou KFC and Equity Investment in Hangzhou Catering

In the fourth quarter of 2021, the Company completed its investment in a 28% equity interest in Hangzhou Catering, an entity holding a 45% equity interest in Hangzhou KFC, of which the Company previously held a 47% equity interest. Upon completion of the transaction, the Company directly and indirectly holds an approximately 60% equity interest in Hangzhou KFC and has majority representation on the board, and thus obtained control over Hangzhou KFC and started to consolidate its results from the acquisition date. In addition to its equity interest in Hangzhou KFC, Hangzhou Catering operates Chinese dining restaurants under four time-honored brands and a food processing business. The Company applies the equity method of accounting to the 28% equity interest in Hangzhou Catering excluding the Hangzhou KFC business and recorded this investment in Equity investments based on its then fair value. The Company elected to report its share of Hangzhou Catering's financial results with a one-quarter lag because its results are not available in time for the Company to record them in the concurrent period. The Company's equity earnings (losses) from Hangzhou Catering, net of taxes, were immaterial for both quarters and years to date ended June 30, 2025 and 2024, and included in Equity in net earnings (losses) from equity method investments in our Condensed Consolidated Statement of Income. As of June 30, 2025 and December 31, 2024, the carrying amount of the Company's equity method investment in Hangzhou Catering was $51 million and $45 million, respectively, exceeding the Company's interest in Hangzhou Catering's underlying net assets by $22 million and $22 million, respectively. Substantially all of this difference was attributable to its self-owned properties and impact of related deferred tax liabilities determined upon acquisition, which is being depreciated over a weighted-average remaining useful life of 20 years.

The purchase amount from Hangzhou Catering was immaterial for both quarters and years to date ended June 30, 2025 and 2024. The Company's accounts payable and other current liabilities due to Hangzhou Catering were immaterial as of both June 30, 2025 and December 31, 2024.

Fujian Sunner Development Co., Ltd. ("Sunner") Investment

In the first quarter of 2021, the Company acquired a 5% equity interest in Sunner, a Shenzhen Stock Exchange-listed company. Sunner is China's largest white-feathered chicken producer and the Company's largest poultry supplier.

In May 2021, the Company obtained one seat on Sunner's board of directors upon Sunner's shareholder approval. The representation on the board, along with the Company being one of Sunner's significant shareholders, provides the Company with the ability to exercise significant influence over the operating and financial policies of Sunner. As a result, the Company started to apply the equity method of accounting to the investment in May 2021 based on its then fair value. The Company elected to report its share of Sunner's financial results with a one-quarter lag because Sunner's results are not available in time for the Company to record them in the concurrent period. The Company's equity earnings (losses) from Sunner, net of taxes, was $1 million for the quarter ended June 30, 2025, and $3 million for the year to date ended June 30, 2025, and was immaterial for both quarter and year to date ended June 30, 2024, which were included in Equity in net earnings (losses) from equity method investments in our Condensed Consolidated Statement of Income.

The Company purchased inventories of $89 million and $131 million from Sunner for the quarters ended June 30, 2025 and 2024, respectively, and $175 million and $247 million for the years to date ended June 30, 2025 and 2024, respectively. The Company's accounts payable and other current liabilities due to Sunner were $34 million and $46 million as of June 30, 2025 and December 31, 2024, respectively.

As of June 30, 2025 and December 31, 2024, the carrying amount of the Company's investment in Sunner was $222 million and $216 million, respectively, exceeding the Company's interest in Sunner's underlying net assets by $150 million and $147 million, respectively. As of June 30, 2025 and December 31, 2024, $15 million and $15 million of these basis differences were related to finite-lived intangible assets determined upon acquisition, respectively, which are being amortized over the estimated useful life of 20 years. The remaining differences were related to goodwill and indefinite-lived intangible assets, which are not subject to amortization, as well as deferred tax liabilities impact. As of June 30, 2025 and December 31, 2024, the market value of the Company's investment in Sunner was $124 million and $123 million based on its quoted closing price, respectively.

Meituan Dianping ("Meituan") Investment

In the third quarter of 2018, the Company subscribed for 8.4 million, or less than 1%, of the ordinary shares of Meituan, a delivery aggregator in China, for a total consideration of approximately $74 million, when it launched its initial public offering on the HKEX in September 2018. In the second quarter of 2020, the Company sold 4.2 million of the ordinary shares of Meituan.

The Company accounts for the equity securities at fair value with subsequent fair value changes recorded in our Condensed Consolidated Statements of Income. The fair value of the investment in Meituan is determined based on the closing market price for the shares at the end of each reporting period. The fair value change, to the extent the closing market price of shares of Meituan as of the end of reporting period is higher than our cost, is subject to U.S. tax.

A summary of pre-tax gains or losses on investment in equity securities of Meituan recognized, which were included in Investment (loss) gain in our Condensed Consolidated Statements of Income, is as follows:

	Quarter Ended		Year to Date Ended	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Unrealized (loss) gain recorded on equity securities still held as of the end of the period	$ (17)	$ 8	$ (15)	$ 16

Other Equity Investments

In addition, the Company has strategic equity investments in its eco-system partners, including food and information technology service suppliers. For investments over which the Company has significant influence but does not control, the Company applies equity method to account for such investments. These investments were immaterial both individually and in aggregate, totaling $27 million and $25 million as of June 30, 2025 and December 31, 2024, respectively. The Company purchased inventories or services from these investees and the purchase amounts were immaterial for both quarters and years to date ended June 30, 2025 and 2024.

In the first quarter of 2025, the Company completed a strategic investment in SnowValley Agricultural Group, one of the Company's key suppliers for potato and a private company, for total consideration of $14 million. The investment contains certain preferential rights, including the right to redeem shares at the Company's option upon contingent events, and is therefore accounted for as available-for-sale debt securities measured at the estimated fair value. The unrealized gains or losses, arising from the change in fair value, net of tax, is recognized in Other comprehensive income (loss) in the Condensed Consolidated Statement of Comprehensive Income. As of June 30, 2025, the carrying amount of the investment was $14 million and fair value change was nil for both quarter and year to date ended June 30, 2025.

Note 4 – Revenue Recognition

The Company's revenues include Company sales, Franchise fees and income, Revenues from transactions with franchisees, and Other revenues.

Company Sales

Revenues from Company-owned restaurants are recognized when a customer takes possession of the food and tenders payment, which is when our obligation to perform is satisfied. The Company presents sales net of sales-related taxes. We also offer our customers delivery through both our own mobile applications and third-party aggregators' platforms. We use both our dedicated riders and platform riders to deliver orders. When orders are fulfilled by our dedicated riders or platform riders, we control and determine the price for the delivery service and generally recognize revenue, including delivery fees, when a customer takes possession of the food. When orders are fulfilled by the delivery staff of third-party aggregators, who control and determine the price for the delivery service, we recognize revenue, excluding delivery fees, when control of the food is transferred to the third-party aggregators' delivery staff. The payment terms with respect to these sales are short-term in nature.

We recognize revenues from prepaid stored-value products, including gift cards and product vouchers, when they are redeemed by the customer. Prepaid gift cards sold at any given point generally expire over the next 36 months, and product vouchers generally expire over a period of up to 12 months. We recognize breakage revenue, which is the amount of prepaid stored-value products that is not expected to be redeemed, either (1) proportionally in earnings as redemptions occur, in situations where the Company expects to be entitled to a breakage amount, or (2) when the likelihood of redemption is remote, in situations where the Company does not expect to be entitled to breakage, provided that there is no requirement for remitting balances to government agencies under unclaimed property laws. The Company reviews its breakage estimates at least annually based upon the latest available information regarding redemption and expiration patterns.

Our privilege membership programs offer privilege members rights to multiple benefits, such as free delivery and discounts on certain products. For certain privilege membership programs offering a pre-defined amount of benefits that can be redeemed ratably over the membership period, revenue is ratably recognized over the period based on the elapse of time. With respect to privilege membership programs offering members a mix of distinct benefits, including a welcome gift and assorted discount coupons with pre-defined quantities, consideration collected is allocated to the benefits provided based on their relative standalone selling price and revenue is recognized when food or services are delivered or the benefits expire. In determining the relative standalone selling price of the benefits, the Company considers likelihood of future redemption based on historical redemption pattern and reviews such estimates periodically based upon the latest available information regarding redemption and expiration patterns.

Franchise Fees and Income

Franchise fees and income primarily include a combination of upfront franchise fees and continuing fees. We have determined that the services we provide in exchange for upfront franchise fees and continuing fees are highly interrelated with the franchise right. We recognize upfront franchise fees received from a franchisee as revenue over the term of the franchise agreement or the renewal agreement because the franchise rights are accounted for as rights to access our symbolic intellectual property. The franchise agreement term is generally 10 years for KFC and Pizza Hut, generally five years for Little Sheep and three to 10 years for Huang Ji Huang. We recognize continuing fees, which are based upon a percentage of franchisee sales, as those sales occur.

Revenues from Transactions with Franchisees

Revenues from transactions with franchisees consist primarily of sales of food and paper products, advertising services, delivery services and other services provided to franchisees.

The Company centrally purchases substantially all food and paper products from suppliers for substantially all of our restaurants, including franchisees, and then sells and delivers them to the restaurants. In addition, the Company owns seasoning facilities for its Chinese dining business unit, which primarily manufacture and sell seasoning products to Huang Ji Huang and Little Sheep franchisees. The Company also provides delivery services to franchisees. The performance obligation arising from such transactions is considered distinct from the franchise agreement as it is not highly dependent on the franchise agreement and the customer can benefit from such services on its own. We consider ourselves the principal in this arrangement as we have the ability to control a promised good or service before transferring that good or service to the franchisees. Revenue is recognized upon transfer of control over ordered items or services, generally upon delivery to the franchisees.

For advertising services, the Company often engages third parties to provide services and acts as a principal in the transaction based on our responsibilities of defining the nature of the services and administering and directing all marketing and advertising programs in accordance with the provisions of our franchise agreements. The Company collects advertising contributions, which are generally based on certain percentage of sales from substantially all of our restaurants, including franchisees. Other services provided to franchisees consist primarily of customer and technology support services. Advertising services and other services provided are highly interrelated to franchise right, and are not considered individually distinct. We recognize revenue when the related sales occur.

Other Revenues

Other revenues primarily include i) sales of products to customers through e-commerce channels, sales of Lavazza coffee retail products beyond Lavazza coffee shops, and sales of our seasoning products to distributors, and ii) revenues from logistics and warehousing services provided to third parties through our supply chain network. Our segment disclosures also include revenues relating to delivery services that were provided to our Company-owned restaurants and, therefore, were eliminated for consolidation purposes.

Other revenues are recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

Loyalty Programs

Each of the Company's KFC and Pizza Hut reportable segments operates a loyalty program that allows registered members to earn points for each qualifying purchase. Points, which generally expire 18 months after being earned, may be redeemed for future purchases of KFC or Pizza Hut branded products or other products for free or at a discounted price. Points cannot be redeemed or exchanged for cash. The estimated value of points earned by the loyalty program members is recorded as a reduction of revenue at the time the points are earned, based on the percentage of points that are projected to be redeemed, with a corresponding deferred revenue liability included in Accounts payable and other current liabilities in the Condensed Consolidated Balance Sheets and subsequently recognized into revenue when the points are redeemed or expire. The Company estimates the value of the future redemption obligations based on the estimated value of the product for which points are expected to be redeemed and historical redemption patterns and reviews such estimates periodically based upon the latest available information regarding redemption and expiration patterns.

Disaggregation of Revenue

The following tables present revenue disaggregated by types of arrangements and segments:

	Quarter Ended 6/30/2025						
Revenues	**KFC**	**Pizza Hut**	**All Other Segments**	**Corporate and Unallocated**	**Combined**	**Elimination**	**Consolidated**
Company sales	$ 2,059	$ 545	$ 9	$ —	$ 2,613	$ —	$ 2,613
Franchise fees and income	19	2	3	—	24	—	24
Revenues from transactions with franchisees	17	1	17	80	115	—	115
Other revenues	1	6	172	17	196	(161)	35
Total revenues	$ 2,096	$ 554	$ 201	$ 97	$ 2,948	$ (161)	$ 2,787

	Quarter Ended 6/30/2024						
Revenues	**KFC**	**Pizza Hut**	**All Other Segments**	**Corporate and Unallocated**	**Combined**	**Elimination**	**Consolidated**
Company sales	$ 1,983	$ 530	$ 15	$ —	$ 2,528	$ —	$ 2,528
Franchise fees and income	16	2	4	—	22	—	22
Revenues from transactions with franchisees	12	1	16	67	96	—	96
Other revenues	3	7	144	16	170	(137)	33
Total revenues	$ 2,014	$ 540	$ 179	$ 83	$ 2,816	$ (137)	$ 2,679

	Year to Date Ended 6/30/2025						
Revenues	**KFC**	**Pizza Hut**	**All Other Segments**	**Corporate and Unallocated**	**Combined**	**Elimination**	**Consolidated**
Company sales	$ 4,267	$ 1,129	$ 18	$ —	$ 5,414	$ —	$ 5,414
Franchise fees and income	40	4	7	—	51	—	51
Revenues from transactions with franchisees	33	3	36	164	236	—	236
Other revenues	2	13	342	34	391	(324)	67
Total revenues	$ 4,342	$ 1,149	$ 403	$ 198	$ 6,092	$ (324)	$ 5,768

	Year to Date Ended 6/30/2024						
Revenues	**KFC**	**Pizza Hut**	**All Other Segments**	**Corporate and Unallocated**	**Combined**	**Elimination**	**Consolidated**
Company sales	$ 4,176	$ 1,117	$ 29	$ —	$ 5,322	$ —	$ 5,322
Franchise fees and income	34	4	9	—	47	—	47
Revenues from transactions with franchisees	26	2	36	139	203	—	203
Other revenues	8	12	308	31	359	(294)	65
Total revenues	$ 4,244	$ 1,135	$ 382	$ 170	$ 5,931	$ (294)	$ 5,637

Accounts Receivable

Accounts receivable primarily consist of trade receivables and royalties from franchisees, and are generally due within 30 days of the period in which the corresponding sales occur. Our provision of credit losses for accounts receivable is based upon the current expected credit losses ("CECL") model. The CECL model requires an estimate of the credit losses expected over the life of accounts receivable since initial recognition, and accounts receivable with similar risk characteristics are grouped together when estimating CECL. In assessing the CECL, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical credit loss experience, adjusted for relevant factors impacting collectability and forward-looking information indicative of external market conditions. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control. Accounts receivable that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. As of June 30, 2025 and December 31, 2024, the ending balances of provision for accounts receivable were $2 million and $1 million, respectively, and amounts of accounts receivable past due were immaterial.

Costs to Obtain Contracts

Costs to obtain contracts consist of license fees that are payable to YUM in relation to our deferred revenue of prepaid stored-value products, privilege membership programs and customer loyalty programs, as well as upfront franchise fees that we paid to YUM prior to the separation in relation to initial fees or renewal fees we received from franchisees. They meet the requirements to be capitalized as they are incremental costs of obtaining contracts with customers and the Company expects to generate future economic benefits from such costs incurred. Such costs to obtain contracts are included in Other assets in the Condensed Consolidated Balance Sheets and are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. Subsequent to the separation, we are no longer required to pay YUM initial or renewal fees that we receive from franchisees. The Company did not incur any impairment losses related to costs to obtain contracts during any of the periods presented. Costs to obtain contracts were $5 million and $6 million as of June 30, 2025 and December 31, 2024, respectively.

Contract Liabilities

Contract liabilities at June 30, 2025 and December 31, 2024 were as follows:

Contract liabilities	**6/30/2025**	**12/31/2024**
– Deferred revenue related to prepaid stored-value products	$ 135	$ 144
– Deferred revenue related to upfront franchise fees	44	43
– Deferred revenue related to customer loyalty programs	18	15
– Deferred revenue related to privilege membership programs	37	30
Total	$ 234	$ 232

Contract liabilities primarily consist of deferred revenue related to prepaid stored-value products, privilege membership programs, customer loyalty programs and upfront franchise fees. Deferred revenue related to prepaid stored-value products, privilege membership programs and customer loyalty programs is included in Accounts payable and other current liabilities in the Condensed Consolidated Balance Sheets. Deferred revenue related to upfront franchise fees that we expect to recognize as revenue in the next 12 months is included in Accounts payable and other current liabilities, and the remaining balance is included in Other liabilities in the Condensed Consolidated Balance Sheets. Revenue recognized that was included in the contract liability balance at the beginning of each period amounted to $50 million and $53 million for the quarters ended June 30, 2025 and 2024, respectively, and $80 million and $78 million for the years to date ended June 30, 2025 and 2024, respectively. Changes in contract liability balances were not materially impacted by business acquisition, change in estimate of transaction price or any other factors during any of the periods presented.

The Company has elected, as a practical expedient, not to disclose the value of remaining performance obligations associated with sales-based royalty promised to franchisees in exchange for franchise right and other related services. The remaining duration of the performance obligation is the remaining contractual term of each franchise agreement. We recognize continuing franchisee fees and revenues from advertising services and other services provided to franchisees based on a certain percentage of sales, as those sales occur.

Note 5 – Earnings Per Common Share ("EPS")

The following table summarizes the components of basic and diluted EPS (in millions, except per share data):

	Quarter Ended		Year to Date Ended	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Net Income – Yum China Holdings, Inc.	$ 215	$ 212	$ 507	$ 499
Weighted-average common shares outstanding (for basic calculation)[(a)]	373	389	374	395
Effect of dilutive share-based awards[(a)]	1	2	2	2
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)[(a)]	374	391	376	397
Basic Earnings Per Common Share	$ 0.58	$ 0.55	$ 1.36	$ 1.27
Diluted Earnings Per Common Share	$ 0.58	$ 0.55	$ 1.35	$ 1.26
Share-based awards excluded from the diluted EPS computation[(b)]	3	6	3	6

(a) As a result of the separation, shares of Yum China common stock were distributed to YUM's shareholders of record as of October 19, 2016 and were included in the calculated weighted-average common shares outstanding. Holders of outstanding YUM equity awards generally received both adjusted YUM awards and Yum China awards, or adjusted awards of either YUM or Yum China in their entirety. Any subsequent exercise of these awards, whether held by the Company's employees or YUM's employees, would increase the number of common shares outstanding. The incremental shares arising from outstanding equity awards are included in the computation of diluted EPS, if there is dilutive effect.

(b) These outstanding stock appreciation rights ("SARs"), restricted stock units ("RSUs") and performance stock units ("PSUs") were excluded from the computation of diluted EPS because to do so would have been antidilutive for the periods presented, or because certain awards are contingently issuable based on the achievement of performance and market conditions, which have not been met as of June 30, 2025 and 2024.

Note 6 – Equity

Share Repurchase and Retirement

As of June 30, 2025, our Board of Directors authorized an aggregate of $4.4 billion for our share repurchase program, including its most recent increase in authorization on November 4, 2024. During the years to date ended June 30, 2025 and 2024, the Company repurchased 7.7 million shares of common stock for $356 million, and 21.7 million shares of common stock for $868 million, respectively, under the repurchase program, excluding transaction costs and excise tax. As of June 30, 2025, approximately $936 million remained available for future share repurchases under the authorization.

Of the shares repurchased for the year to date ended June 30, 2025, 7.4 million shares were retired and resumed the status of authorized and unissued shares of common stock, and 0.3 million shares repurchased on the HKEX are expected to be retired subsequent to June 30, 2025, and included in Treasury stock in the Condensed Consolidated Financial Statement.

The Inflation Reduction Act of 2022 ("IRA"), which is discussed further in Note 12, imposes an excise tax of 1% on net share repurchases that occur after December 31, 2022. Excise tax on net share repurchases, which was recognized as part of the cost of the shares repurchased, amounted to $3 million and $8 million for the years to date ended June 30, 2025 and 2024, respectively.

Note 7 – Supplemental Balance Sheet Information

Accounts Receivable, net	6/30/2025	12/31/2024
Accounts receivable, gross	$ 96	$ 80
Allowance for doubtful accounts	(2)	(1)
Accounts receivable, net	$ 94	$ 79

Prepaid Expenses and Other Current Assets	6/30/2025	12/31/2024
Value-added tax ("VAT") assets	$ 120	$ 117
Interest receivables	94	48
Receivables from payment processors and aggregators	45	72
Deposits, primarily lease deposits	19	22
Other prepaid expenses and current assets	105	107
Prepaid expenses and other current assets	$ 383	$ 366

Property, Plant and Equipment ("PP&E")	6/30/2025	12/31/2024
Buildings and improvements, and construction in progress	$ 3,193	$ 3,156
Finance leases, primarily buildings	83	80
Machinery and equipment	1,925	1,855
PP&E, gross	5,201	5,091
Accumulated depreciation	(2,786)	(2,684)
PP&E, net	$ 2,415	$ 2,407

Equity Investments	6/30/2025	12/31/2024
Investment in equity method investees	$ 300	$ 285
Investment in equity securities	68	83
Investment in available-for-sale debt securities	14	—
Equity investments	$ 382	$ 368

Other Assets	6/30/2025	12/31/2024
Land use right	$ 107	$ 107
Long-term deposits, primarily lease deposits	100	97
Prepayment for acquisition of PP&E	26	27
VAT assets	8	8
Costs to obtain contracts	5	6
Others	17	11
Other assets	$ 263	$ 256

Accounts Payable and Other Current Liabilities	6/30/2025	12/31/2024
Accounts payable	$ 795	$ 801
Operating lease liabilities	422	417
Accrued compensation and benefits	204	235
Contract liabilities	197	196
Accrued capital expenditures	132	192
Dividends payable	99	40
Accrued marketing expenses	47	33
Other current liabilities	160	166
Accounts payable and other current liabilities	$ 2,056	$ 2,080

Other Liabilities	6/30/2025	12/31/2024
Contract liabilities	$ 37	$ 36
Accrued income tax payable	20	23
Other non-current liabilities	97	98
Other liabilities	$ 154	$ 157

Note 8 – Goodwill and Intangible Assets

The changes in the carrying amount of goodwill are as follows:

	Total Company	KFC	Pizza Hut	All Other Segments
Balance as of 12/31/2024				
Goodwill, gross	$ 2,271	$ 1,790	$ 18	$ 463
Accumulated impairment losses[(a)]	(391)	—	—	(391)
Goodwill, net	1,880	1,790	18	72
Effect of currency translation adjustments	35	34	—	1
Balance as of 6/30/2025				
Goodwill, gross	2,306	1,824	18	464
Accumulated impairment losses[(a)]	(391)	—	—	(391)
Goodwill, net	$ 1,915	$ 1,824	$ 18	$ 73

(a) Accumulated impairment losses represent goodwill impairment attributable to the reporting units of Little Sheep and Daojia.

Intangible assets, net as of June 30, 2025 and December 31, 2024 are as follows:

	6/30/2025				12/31/2024			
	Gross Carrying Amount[(a)]	Accumulated Amortization[(a)]	Accumulated Impairment Losses[(b)]	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Losses[(b)]	Net Carrying Amount
Finite-lived intangible assets								
Reacquired franchise rights	$ 267	$ (264)	$ —	$ 3	$ 262	$ (259)	$ —	$ 3
Huang Ji Huang franchise related assets	21	(6)	—	15	20	(5)	—	15
Daojia platform	9	(2)	(7)	—	9	(2)	(7)	—
Customer-related assets	11	(10)	(1)	—	11	(10)	(1)	—
Others	8	(5)	—	3	8	(5)	—	3
	$ 316	$ (287)	$ (8)	$ 21	$ 310	$ (281)	$ (8)	$ 21
Indefinite-lived intangible assets								
Little Sheep trademark	$ 49	$ —	$ —	$ 49	$ 49	$ —	$ —	$ 49
Huang Ji Huang trademark	75	—	—	75	74	—	—	74
	$ 124	$ —	$ —	$ 124	$ 123	$ —	$ —	$ 123
Total intangible assets	$ 440	$ (287)	$ (8)	$ 145	$ 433	$ (281)	$ (8)	$ 144

(a) Changes in gross carrying amount and accumulated amortization include the effect of currency translation adjustments.

(b) Accumulated impairment losses represent impairment charges on intangible assets acquired from Daojia primarily attributable to the Daojia platform.

Amortization expense for finite-lived intangible assets was less than $1 million for both quarters ended June 30, 2025 and 2024, and $1 million for both years to date ended June 30, 2025 and 2024. As of June 30, 2025, expected amortization expense for the unamortized finite-lived intangible assets was $1 million for the remainder of 2025 and $2 million in each of 2026, 2027, 2028 and 2029.

Note 9 – Short-term Borrowings

As of December 31, 2024, we had outstanding short-term bank borrowings of $127 million, mainly to manage working capital at our operating subsidiaries. The bank borrowings were RMB denominated, with a weighted-average interest rate of 1.7%, and were due within one year from their issuance dates. The short-term bank borrowings were fully repaid as of June 30, 2025.

Note 10 – Leases

As of June 30, 2025, we leased over 14,000 properties in China for our Company-owned restaurants. We generally enter into lease agreements for our restaurants with initial terms of 10 to 20 years. Most of our lease agreements contain termination options that permit us to terminate the lease agreement early if the restaurant profit is negative for a specified period of time. We generally do not have renewal options for our leases. Such options are accounted for only when it is reasonably certain that we will exercise the options. The rent under the majority of our current restaurant lease agreements is generally payable in one of three ways: (i) fixed rent; (ii) the higher of a fixed base rent or a percentage of the restaurant's sales; or (iii) a percentage of the restaurant's sales. Most leases require us to pay common area maintenance fees for the leased property. In addition to restaurants leases, we also lease office spaces, logistics centers and equipment. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In limited cases, we sub-lease certain restaurants to franchisees in connection with refranchising transactions or lease our properties to other third parties. The lease payments under these leases are generally based on the higher of a fixed base rent or a percentage of the restaurant's annual sales. Income from sub-lease agreements with franchisees or lease agreements with other third parties are included in Franchise fees and income and Other revenues, respectively, within our Condensed Consolidated Statements of Income.

Supplemental Balance Sheet

	6/30/2025	12/31/2024	Account Classification
Assets			
Operating lease right-of-use assets	$ 2,103	$ 2,146	Operating lease right-of-use assets
Finance lease right-of-use assets	46	46	PP&E, net
Total leased assets[(a)]	$ 2,149	$ 2,192	
Liabilities			
Current			
Operating lease liabilities	$ 422	$ 417	Accounts payable and other current liabilities
Finance lease liabilities	5	5	Accounts payable and other current liabilities
Non-current			
Operating lease liabilities	1,760	1,816	Non-current operating lease liabilities
Finance lease liabilities	48	49	Non-current finance lease liabilities
Total lease liabilities[(a)]	$ 2,235	$ 2,287	

Summary of Lease Cost

	Quarter Ended		Year to Date Ended		
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	Account Classification
Operating lease cost	$ 122	$ 128	$ 246	$ 258	Occupancy and other operating expenses, G&A or Franchise expenses
Finance lease cost					
Amortization of leased assets	2	2	3	3	Occupancy and other operating expenses
Interest on lease liabilities	—	—	1	1	Interest income, net
Variable lease cost	103	97	218	212	Occupancy and other operating expenses or Franchise expenses
Short-term lease cost	3	3	7	6	Occupancy and other operating expenses or G&A
Sub-lease income	(4)	(5)	(9)	(10)	Franchise fees and income or Other revenues
Total lease cost	$ 226	$ 225	$ 466	$ 470	

(a) As of June 30, 2025, excluding the impact of foreign currency translation, right-of-use ("ROU") assets decreased, primarily due to the amortization of assets relating to existing leases with fixed lease payments and a higher portion of our leases with variable lease payments. The decrease of lease liabilities was consistent with the decrease of ROU assets.

Supplemental Cash Flow Information

	Year to Date Ended	
	6/30/2025	6/30/2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 253	$ 259
Operating cash flows from finance leases	1	1
Financing cash flows from finance leases	3	2
Right-of-use assets obtained in exchange for lease liabilities[(b)]:		
Operating leases	$ 113	$ 177
Finance leases	1	5

(b) This supplemental non-cash disclosure for ROU assets obtained in exchange for lease liabilities includes an increase in lease liabilities associated with obtaining new ROU assets of $126 million and $180 million for the years to date ended June 30, 2025 and 2024, respectively, as well as adjustments to lease liabilities or ROU assets due to modification or other reassessment events, which resulted in a $12 million decrease and $2 million increase in lease liabilities for the years to date ended June 30, 2025 and 2024, respectively.

Lease Term and Discount Rate

	6/30/2025	6/30/2024
Weighted-average remaining lease term (years)		
Operating leases	6.8	6.9
Finance leases	10.6	10.8
Weighted-average discount rate		
Operating leases	4.3%	4.8%
Finance leases	4.5%	4.9%

Summary of Future Lease Payments and Lease Liabilities

Maturities of lease liabilities as of June 30, 2025 were as follows:

	Amount of Operating Leases	Amount of Finance Leases	Total
Remainder of 2025	$ 268	$ 4	$ 272
2026	457	7	464
2027	403	7	410
2028	339	7	346
2029	270	7	277
Thereafter	784	35	819
Total undiscounted lease payment	2,521	67	2,588
Less: imputed interest[(c)]	339	14	353
Present value of lease liabilities	$ 2,182	$ 53	$ 2,235

(c) As the rate implicit in the lease cannot be readily determined, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the imputed interest and present value of lease payments. We used the incremental borrowing rate on January 1, 2019 for operating leases that commenced prior to that date.

As of June 30, 2025, we have additional lease agreements that have been signed but not yet commenced, with total undiscounted minimum lease payments of $88 million. These leases will commence between the third quarter of 2025 and 2026 with lease terms of 1 year to 20 years.

Note 11 – Fair Value Measurements and Disclosures

The Company's financial assets and liabilities primarily consist of cash and cash equivalents, short-term investments, long-term bank deposits and notes, accounts receivable, accounts payable, short-term borrowings and lease liabilities, and the carrying values of these assets and liabilities approximate their fair value in general.

The Company's financial assets also include its investment in equity securities and available-for-sale debt securities as disclosed in Note 3. Investment in equity securities is measured at fair value based on the closing market price for the shares at the end of each reporting period, with subsequent fair value changes recorded in our Condensed Consolidated Statements of Income. Investment in available-for-sales debt securities is measured at estimated fair value with subsequent fair value changes recorded in Comprehensive income (loss) in the Condensed Consolidated Statements of Comprehensive Income.

The following table is a summary of our financial assets measured on a recurring basis or disclosed at fair value and the level within the fair value hierarchy in which the measurement falls. The Company classifies its cash equivalents, short-term investments, long-term bank deposits and notes, and investment in equity securities within Level 1 or Level 2 in the fair value hierarchy because it uses quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value, respectively. The Company classifies its investment in available-for-sale debt securities as Level 3 in the fair value hierarchy because it is valued based on unobservable inputs. No transfers among the levels within the fair value hierarchy occurred during the quarters and years to date ended June 30, 2025 and 2024.

		Fair Value Measurement or Disclosure at June 30, 2025		
	Balance at June 30, 2025	Level 1	Level 2	Level 3
Cash equivalents:				
Fixed income debt securities[(a)]	$ 306		$ 306	
Money market funds	18	18		
Time deposits	2		2	
Total cash equivalents	326	18	308	—
Short-term investments:				
Time deposits	771		771	
Fixed income debt securities[(a)]	426		426	
Variable return investments	211	211		
Structured deposits	155		155	
Total short-term investments	1,563	211	1,352	—
Long-term bank deposits and notes:				
Time deposits	344		344	
Fixed income bank notes[(a)]	282		282	
Total long-term bank deposits and notes	626	—	626	—
Equity investments:				
Investment in equity securities	68	68		
Investment in available-for-sale debt securities	14			14
Total equity investments	82	68	—	14
Total	$ 2,597	$ 297	$ 2,286	$ 14

		Fair Value Measurement or Disclosure at December 31, 2024		
	Balance at December 31, 2024	Level 1	Level 2	Level 3
Cash equivalents:				
Fixed income debt securities[(a)]	$ 196		$ 196	
Time deposits	145		145	
Money market funds	30	30		
Total cash equivalents	371	30	341	—
Short-term investments:				
Time deposits	1,017		1,017	
Structured deposits	90		90	
Variable return investments	14	14		
Total short-term investments	1,121	14	1,107	—
Long-term bank deposits and notes:				
Time deposits	554		554	
Fixed income bank notes[(a)]	534		534	
Total long-term bank deposits and notes	1,088	—	1,088	—
Equity investments:				
Investment in equity securities	83	83		
Total	$ 2,663	$ 127	$ 2,536	$ —

(a) Classified as held-to-maturity investments and measured at amortized cost.

The Company is required to place bank deposits or purchase insurance to secure the balance of prepaid stored-value cards issued by the Company pursuant to regulatory requirements. $28 million of time deposits in Short-term investments and $34 million of time deposits in Long-term bank deposits and notes were restricted for use as of June 30, 2025, and $60 million of time deposits in Long-term bank deposits and notes were restricted for use as of December 31, 2024.

Non-Recurring Fair Value Measurements

In addition, certain of the Company's restaurant-level assets (including operating lease ROU assets and PP&E), goodwill and intangible assets are measured at fair value based on unobservable inputs (Level 3) on a non-recurring basis, if determined to be impaired.

In determining the fair value of restaurant-level assets, the Company considered the highest and best use of the assets from a market participants' perspective, which is represented by the higher of the forecasted discounted cash flows from operating restaurants and the price market participants would pay to sub-lease the ROU assets and acquire the remaining restaurants assets, even if that use differs from the current use by the Company. The after-tax cash flows incorporate reasonable assumptions we believe a franchisee would make, such as sales growth, and include a deduction for royalties we would receive under a franchise agreement with terms substantially at market. The discount rate used in the fair value calculation is our estimate of the required rate-of-return that a franchisee would expect to receive when purchasing a similar restaurant and the related long-lived assets. In situations where the highest and best use of restaurant-level assets are represented by sub-leasing the operating lease ROU assets and acquiring the remaining restaurant assets, the Company continues to use these assets in operating its restaurant business, which is consistent with its long-term strategy of growing revenue through operating restaurant concepts.

As of each relevant measurement date, the fair value of restaurant-level assets, if determined to be impaired, is primarily represented by a price market participant would pay to sub-lease the operating lease ROU assets and acquire the remaining restaurant assets, which reflects the highest and best use of the assets. Significant unobservable inputs used in the fair value measurement include market rental prices, which were determined with the assistance of an independent valuation specialist. The direct comparison approach is used as the valuation technique by assuming a sub-lease of each of the properties in its existing state with vacant possession. By making reference to lease transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for any difference in factors such as location and property size.

The following table presents amounts recognized from all non-recurring fair value measurements based on unobservable inputs (Level 3) during the quarters and years to date ended June 30, 2025 and 2024. These amounts exclude fair value measurements made for restaurants that were subsequently closed or refranchised prior to those respective period-end dates.

	Quarter Ended		Year to Date Ended		
	6/30/2025	6/30/2024	6/30/2025	6/30/2024	Account Classification
Restaurant-level impairment[(a)]	$ 8	$ 7	$ 8	$ 7	Closure and impairment expenses, net

(a) Restaurant-level impairment charges are recorded in Closures and impairment expenses, net and resulted mainly from our semi-annual impairment evaluation of long-lived assets of individual restaurants that were being operated at the time of impairment and had not been offered for refranchising. After considering the impairment charges recorded during the corresponding periods, the fair value of such assets as of June 30, 2025 and 2024 was $23 million and $22 million, respectively.

Note 12 – Income Taxes

	Quarter Ended		Year to Date Ended	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Income tax provision	$ 80	$ 77	$ 199	$ 190
Effective tax rate	25.8%	25.2%	26.9%	26.2%

The higher effective tax rate for the quarter ended June 30, 2025 was primarily due to higher withholding tax associated with higher planned repatriation of earnings outside of China, and the impact from fair value change of our investment in Meituan.

The higher effective tax rate for the year to date ended June 30, 2025 was primarily due to higher withholding tax associated with higher planned repatriation of earnings outside of China, less interest income subject to lower income tax rates, and the impact from fair value change of our investment in Meituan.

In December 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Act"), which included a broad range of tax reforms. The Tax Act requires a U.S. shareholder to be subject to tax on Global Intangible Low Taxed Income ("GILTI") earned by certain foreign subsidiaries. We have elected the option to account for current year GILTI tax as a period cost as incurred, and therefore included it in estimating the annual effective tax rate.

In August 2022, the IRA was signed into law in the U.S., which contains certain tax measures, including a Corporate Alternative Minimum Tax ("CAMT") of 15% on certain large corporations. On December 27, 2022, the U.S. Treasury Department and the Internal Revenue Services (the "IRS") released Notice 2023-7, announcing their intention to issue proposed regulations addressing the application of the new CAMT. In 2023 and 2024, additional notices or proposed regulations were released to continue to provide interim guidance regarding certain CAMT issues before proposed regulations are published. The Company will monitor the regulatory developments and continue to evaluate the impact on our financial statements, if any.

In December 2022, a refined Foreign Sourced Income Exemption ("FSIE") regime was published in Hong Kong and took effect from January 1, 2023. Under the new FSIE regime, certain foreign sourced income would be deemed as being sourced from Hong Kong and chargeable to Hong Kong Profits Tax, if the recipient entity fails to meet the prescribed exception requirements. Certain dividends, interests and disposal gains, if any, received by us and our Hong Kong subsidiaries may be subject to the new tax regime. Based on our analysis, this legislation did not have a material impact on our financial statements. The Company will monitor the developments and continue to evaluate the impact, if any.

The Organization for Economic Cooperation and Development (the "OECD"), the European Union and other jurisdictions (including jurisdictions in which we have operations or presence) have committed to enacting substantial changes to numerous long-standing tax principles impacting how large multinational enterprises are taxed. In particular, the OECD's Pillar Two initiative introduced a 15% global minimum tax applied on a jurisdiction-by-jurisdiction basis and for which many jurisdictions have now committed to an effective enactment date starting January 1, 2024. Based on our preliminary analysis, this legislation did not have a material impact on our financial statements. The Company will monitor the regulatory developments and continue to evaluate the impact, if any.

In July 2025, the One Big Beautiful Bill Act (the "OBBBA") was signed into law in the U.S.. The OBBBA includes a broad range of provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and others. We are in the process of evaluating the impact on our financial statements, if any.

We are subject to reviews, examinations and audits by Chinese tax authorities, the IRS and other tax authorities with respect to income and non-income based taxes. Since 2016, we have been under a national audit on transfer pricing by the Chinese State Taxation Administration (the "STA") in China regarding our related party transactions for the period from 2006 to 2015. The information and views currently exchanged with the tax authorities focus on our franchise arrangement with YUM. We continue to provide information requested by the tax authorities to the extent it is available to the Company. It is reasonably possible that there could be significant developments, including expert review and assessment by the STA, within the next 12 months. The ultimate assessment and decision of the STA will depend upon further review of the information provided, as well as ongoing technical and other discussions with the STA and in-charge local tax authorities, and therefore, it is not possible to reasonably estimate the potential impact at this time. We will continue to defend our transfer pricing position. However, if the STA prevails in the assessment of additional tax due based on its ruling, the assessed tax, interest and penalties, if any, could have a material adverse impact on our financial position, results of operations and cash flows.

Note 13 – Segment Reporting

We have two reportable segments: KFC and Pizza Hut. Our non-reportable operating segments, including the operations of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell, and our delivery operating segment, and for 2024, also including e-commerce segment, are combined and referred to as All Other Segments, as these operating segments are insignificant both individually and in the aggregate. The Company's chief operating decision maker ("CODM") is the chief executive officer, who reviews the financial information of each operating segment when making decisions about allocating resources and assessing the performance of the segment.

	Quarter Ended 6/30/2025						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 2,096	$ 554	$ 40	$ 97 [b]	$ 2,787	$ —	$ 2,787
Inter-segment revenue[c]	—	—	161	—	161	(161)	—
	2,096	554	201	97	2,948	(161)	2,787
Less:							
Food and paper	631	177	2	—	810	—	810
Payroll and employee benefits	556	154	2	—	712	—	712
Occupancy and other operating expenses	523	141	5	—	669	—	669
General and administrative expenses	61	26	8	36	131	—	131
Franchise expenses	9	1	—	—	10	—	10
Expenses for transactions with franchisees	15	1	16	78 [b]	110	—	110
Other operating costs and expenses	1	5	168 [c]	17	191	(161)	30
Closures and impairment expenses, net	8	3	1	—	12	—	12
Other income, net	—	—	—	(1)	(1)	—	(1)
Operating Profit (Loss)	292	46	(1)	(33)	304	—	304
Interest income, net[a]				25			25
Investment loss[a]				(18)			(18)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 311

	Quarter Ended 6/30/2024						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 2,014	$ 540	$ 42	$ 83 [b]	$ 2,679	$ —	$ 2,679
Inter-segment revenue[c]	—	—	137	—	137	(137)	—
	2,014	540	179	83	2,816	(137)	2,679
Less:							
Food and paper	626	167	4	—	797	—	797
Payroll and employee benefits	513	150	3	—	666	—	666
Occupancy and other operating expenses	524	143	7	—	674	—	674
General and administrative expenses	60	27	10	36	133	—	133
Franchise expenses	8	1	—	—	9	—	9
Expenses for transactions with franchisees	11	1	14	66 [b]	92	—	92
Other operating costs and expenses	2	6	142 [c]	16	166	(137)	29
Closures and impairment expenses, net	6	5	2	—	13	—	13
Operating Profit (Loss)	264	40	(3)	(35)	266	—	266
Interest income, net[a]				31			31
Investment gain[a]				8			8
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 305

	Year to Date Ended 6/30/2025						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 4,342	$ 1,149	$ 79	$ 198 [b]	$ 5,768	$ —	$ 5,768
Inter-segment revenue[c]	—	—	324	—	324	(324)	—
	4,342	1,149	403	198	6,092	(324)	5,768
Less:							
Food and paper	1,316	363	5	—	1,684	—	1,684
Payroll and employee benefits	1,110	317	5	—	1,432	(1)	1,431
Occupancy and other operating expenses	1,055	292	10	—	1,357	—	1,357
General and administrative expenses	120	52	16	81	269	—	269
Franchise expenses	19	2	—	—	21	—	21
Expenses for transactions with franchisees	29	3	33	162 [b]	227	—	227
Other operating costs and expenses	2	11	335 [c]	34	382	(323)	59
Closures and impairment expenses, net	13	3	2	—	18	—	18
Other income, net	—	—	—	(1)	(1)	—	(1)
Operating Profit (Loss)	678	106	(3)	(78)	703	—	703
Interest income, net[a]				51			51
Investment loss[a]				(15)			(15)
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 739

	Year to Date Ended 6/30/2024						
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated[a]	Combined	Elimination	Consolidated
Revenue from external customers	$ 4,244	$ 1,135	$ 88	$ 170 [b]	$ 5,637	$ —	$ 5,637
Inter-segment revenue[c]	—	—	294	—	294	(294)	—
	4,244	1,135	382	170	5,931	(294)	5,637
Less:							
Food and paper	1,320	365	8	—	1,693	—	1,693
Payroll and employee benefits	1,055	312	8	—	1,375	(1)	1,374
Occupancy and other operating expenses	1,059	297	15	—	1,371	—	1,371
General and administrative expenses	121	54	20	78	273	—	273
Franchise expenses	17	2	—	—	19	—	19
Expenses for transactions with franchisees	23	2	33	138 [b]	196	—	196
Other operating costs and expenses	6	11	304 [c]	30	351	(293)	58
Closures and impairment expenses, net	7	5	2	—	14	—	14
Other income, net	—	—	—	(1)	(1)	—	(1)
Operating Profit (Loss)	636	87	(8)	(75)	640	—	640
Interest income, net[a]				69			69
Investment gain[a]				16			16
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments							$ 725

Depreciation and Amortization	Quarter Ended 6/30/2025	Quarter Ended 6/30/2024	Year to Date Ended 6/30/2025	Year to Date Ended 6/30/2024
KFC	$ 76	$ 83	$ 150	$ 166
Pizza Hut	24	24	47	47
All Other Segments	1	2	3	4
Corporate and Unallocated	9	9	19	18
	$ 110	$ 118	$ 219	$ 235

Impairment Charges	Quarter Ended 6/30/2025	Quarter Ended 6/30/2024	Year to Date Ended 6/30/2025	Year to Date Ended 6/30/2024
KFC[(d)]	$ 9	$ 8	$ 14	$ 10
Pizza Hut[(d)]	3	5	4	6
All Other Segments[(d)]	1	2	1	3
	$ 13	$ 15	$ 19	$ 19

Capital Spending	Quarter Ended 6/30/2025	Quarter Ended 6/30/2024	Year to Date Ended 6/30/2025	Year to Date Ended 6/30/2024
KFC	68	95	$ 143	$ 185
Pizza Hut	21	29	44	59
All Other Segments	1	1	1	3
Corporate and Unallocated	32	44	71	111
	$ 122	$ 169	$ 259	$ 358

	Total Assets 6/30/2025	Total Assets 12/31/2024
KFC	$ 5,273	$ 5,334
Pizza Hut	905	914
All Other Segments	298	300
Corporate and Unallocated[(e)]	4,507	4,573
	$ 10,983	$ 11,121

(a) Amounts have not been allocated to any segment for performance reporting purposes.

(b) Amounts from corporate and unallocated primarily include revenues and associated expenses of transactions with franchisees derived from the Company's central procurement model whereby the Company centrally purchases substantially all food and paper products from suppliers then sells and delivers to KFC and Pizza Hut restaurants, including franchisees. Amounts have not been allocated to any segment for purposes of making operating decisions or assessing financial performance as the transactions are deemed corporate revenues and expenses in nature.

(c) Primarily includes revenues and associated costs generated from the delivery services that were provided to our Company-owned restaurants.

(d) Primarily includes store closure impairment charges and restaurant-level impairment charges resulting from our semi-annual impairment evaluation.

(e) Primarily includes cash and cash equivalents, short-term investments, long-term bank deposits and notes, equity investments, and inventories that are centrally managed and PP&E that are not specifically identifiable within each segment.

As substantially all of the Company's revenue is derived from the PRC and substantially all of the Company's long-lived assets are located in the PRC, no geographical information is presented. In addition, revenue derived from and long-lived assets located in the U.S., the Company's country of domicile, are immaterial.

Note 14 – Contingencies

Indemnification of China Tax on Indirect Transfers of Assets

In February 2015, the STA issued Bulletin 7 on Income arising from Indirect Transfers of Assets by Non-Resident Enterprises. Pursuant to Bulletin 7, an "indirect transfer" of Chinese taxable assets, including equity interests in a Chinese resident enterprise, by a non-resident enterprise, may be recharacterized and treated as a direct transfer of Chinese taxable assets, if such arrangement does not have reasonable commercial purpose and the transferor has avoided payment of Chinese enterprise income tax. As a result, gains derived from such an indirect transfer may be subject to Chinese enterprise income tax at a rate of 10%.

YUM concluded and we concurred that it is more likely than not that YUM will not be subject to this tax with respect to the distribution. However, there are significant uncertainties regarding what constitutes a reasonable commercial purpose, how the safe harbor provisions for group restructurings are to be interpreted, and how the taxing authorities will ultimately view the distribution. As a result, YUM's position could be challenged by Chinese tax authorities resulting in a 10% tax assessed on the difference between the fair market value and the tax basis of the separated China business. As YUM's tax basis in the China business is minimal, the amount of such a tax could be significant.

Any tax liability arising from the application of Bulletin 7 to the distribution is expected to be settled in accordance with the tax matters agreement between the Company and YUM. Pursuant to the tax matters agreement, to the extent any Chinese indirect transfer tax pursuant to Bulletin 7 is imposed, such tax and related losses will be allocated between YUM and the Company in proportion to their respective share of the combined market capitalization of YUM and the Company during the 30 trading days after the separation. Such a settlement could be significant and have a material adverse effect on our results of operations and our financial condition. At the inception of the tax indemnity being provided to YUM, the fair value of the non-contingent obligation to stand ready to perform was insignificant and the liability for the contingent obligation to make payment was not probable or estimable.

Legal Proceedings

The Company is subject to various lawsuits covering a variety of allegations from time to time. The Company believes that the ultimate liability, if any, in excess of amounts already provided for these matters in the Condensed Consolidated Financial Statements, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows. Matters faced by the Company from time to time include, but are not limited to, claims from landlords, employees, customers and others related to operational, contractual or employment issues.

Note 15 – Subsequent Events

Cash Dividend

On August 5, 2025, the Company announced that the Board of Directors declared a cash dividend of $0.24 per share on Yum China's common stock, payable on September 23, 2025, to stockholders of record as of the close of business on September 2, 2025. Total estimated cash dividend payable is approximately $88 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

References to the Company throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations (this "MD&A") are made using the first person notations of "we," "us" or "our." This MD&A contains forward-looking statements, including statements with respect to the ongoing transfer pricing audit, the retail tax structure reform, our growth plans, future capital resources to fund our operations and anticipated capital expenditures, share repurchases and dividends, and the impact of new accounting pronouncements not yet adopted. See "Cautionary Note Regarding Forward-Looking Statements" at the end of this Item 2 for information regarding forward-looking statements.

Introduction

Yum China Holdings, Inc. is the largest restaurant company in China in terms of 2024 system sales, with 16,978 restaurants covering over 2,400 cities primarily in China as of June 30, 2025. Our growing restaurant network consists of our flagship KFC and Pizza Hut brands, as well as emerging brands such as Lavazza, Huang Ji Huang, Little Sheep and Taco Bell. We have the exclusive right to operate and sublicense the KFC, Pizza Hut and, subject to achieving certain agreed-upon milestones, Taco Bell brands in China (excluding Hong Kong, Macau and Taiwan), and own the intellectual property of the Little Sheep and Huang Ji Huang concepts outright. We also established a joint venture with Lavazza Group, the world-renowned family-owned Italian coffee company, to explore and develop the Lavazza coffee concept in China. KFC was the first major global restaurant brand to enter China in 1987. With more than 35 years of operations, we have developed extensive operating experience in the China market. We believe that there are significant opportunities to further expand within China, and we intend to focus our efforts on increasing our geographic footprint in both existing and new cities.

KFC is the leading and the largest quick-service restaurant ("QSR") brand in China in terms of system sales. As of June 30, 2025, KFC operated 12,238 restaurants in over 2,400 cities across China.

Pizza Hut is the leading and the largest casual dining restaurant ("CDR") brand in China in terms of system sales and number of restaurants. As of June 30, 2025, Pizza Hut operated 3,864 restaurants in over 900 cities.

Overview

We intend for this MD&A to provide the reader with information that will assist in understanding our results of operations, including metrics that management uses to assess the Company's performance. Throughout this MD&A, we discuss the following performance metrics:

- Certain performance metrics and non-GAAP measures are presented excluding the impact of foreign currency translation ("F/X"). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the F/X impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.
- System sales growth reflects the results of all restaurants regardless of ownership, including Company-owned and franchise restaurants, except for sales from non-Company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise restaurants typically generate ongoing franchise fees for the Company at an average rate of approximately 6% of system sales. Franchise restaurant sales are not included in Company sales in the Condensed Consolidated Statements of Income; however, the franchise fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.
- Effective January 1, 2018, the Company revised its definition of same-store sales growth to represent the estimated percentage change in sales of food of all restaurants in the Company system that have been open prior to the first day of our prior fiscal year, excluding the period during which stores are temporarily closed. We refer to these as our "base" stores. Previously, same-store sales growth represented the estimated percentage change in sales of all restaurants in the Company system that have been open for one year or more, including stores temporarily closed, and the base stores changed on a rolling basis from month to month. This revision was made to align with how management measures performance internally and focuses on trends of a more stable base of stores.
- Company sales represent revenues from Company-owned restaurants. Within the analysis of Company sales, Total revenue and Restaurant profit, store portfolio actions represent the net impact from new-unit openings, acquisitions, refranchising and store closures. Net new unit contribution represents net revenue growth primarily from store portfolio actions excluding temporary store closures. Other primarily represents the impact of same-store sales as well as the impact of changes in restaurant operating costs such as inflation/deflation.

All Note references in this MD&A refer to the Notes to the Condensed Consolidated Financial Statements. Tabular amounts are displayed in millions of U.S. dollars except percentages and per share and unit count amounts, or as otherwise specifically identified. Percentages may not recompute due to rounding. References to quarters are references to the Company's fiscal quarters.

Quarters and Years to Date Ended June 30, 2025 and 2024

Results of Operations

Summary

The Company has two reportable segments: KFC and Pizza Hut. Our non-reportable operating segments, including the operations of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell, and our delivery operating segment, and for 2024, also including e-commerce segment, are combined and referred to as All Other Segments, as those operating segments are insignificant both individually and in the aggregate. Additional details on our reportable operating segments are included in Note 13.

	Quarter Ended		%/ppts Change		Year to Date Ended		%/ppts Change	
	6/30/2025	6/30/2024	Reported	Ex F/X	6/30/2025	6/30/2024	Reported	Ex F/X
System Sales Growth[a] (%)	4	4	NM	NM	3	5	NM	NM
Same-Store Sales Growth (Decline)[a] (%)	1	(4)	NM	NM	Even	(3)	NM	NM
Operating Profit	304	266	+14	+14	703	640	+10	+11
Adjusted Operating Profit[b]	304	266	+14	+14	703	640	+10	+11
Core Operating Profit[b]	303	266	NM	+14	708	640	NM	+11
OP Margin[c] (%)	10.9	9.9	+1.0	+1.0	12.2	11.4	+0.8	+0.8
Core OP Margin[b] (%)	10.9	9.9	NM	+1.0	12.2	11.4	NM	+0.8
Net Income	215	212	+1	+1	507	499	+1	+2
Adjusted Net Income[b]	215	212	+1	+1	507	499	+1	+2
Diluted Earnings Per Common Share	0.58	0.55	+5	+5	1.35	1.26	+7	+8
Adjusted Diluted Earnings Per Common Share[b]	0.58	0.55	+5	+5	1.35	1.26	+7	+8

NM refers to not meaningful.

(a) System Sales and Same-Store Sales growth percentages as shown in the table exclude the impact of F/X. Effective January 1, 2018, temporary store closures are normalized in the same-store sales calculation by excluding the period during which stores are temporarily closed.

(b) See "Non-GAAP Measures" below for definitions and reconciliations of the most directly comparable GAAP financial measures to the non-GAAP measures.

(c) OP margin is defined as Operating Profit divided by Total revenues.

As compared to the second quarter of 2024, Total revenues in the second quarter of 2025 increased 4%, including or excluding the impact of F/X. Total revenues for the year to date ended June 30, 2025 increased 2%, or 3% excluding the impact of F/X. The increase in Total revenues for the quarter ended June 30, 2025, excluding the impact of F/X, was primarily driven by 3% net new unit contribution and 1% same-store sales growth. The increase in Total revenues for the year to date ended June 30, 2025, excluding the impact of F/X, was primarily driven by 3% net new unit contribution.

Operating profit for the second quarter increased 14%, including or excluding the impact of F/X. Operating profit for the year to date ended June 30, 2025 increased 10%, or 11% excluding the impact of F/X. The increase in Operating profit for the quarter and year to date ended June 30, 2025 was primarily driven by the increase in Total revenues, favorable commodity prices and efficiency improvement from streamlined operations, partially offset by increased value-for-money offerings, increased delivery cost associated with higher delivery sales mix in the current period and wage inflation in the low single digits.

The Consolidated Results of Operations for the quarters and years to date ended June 30, 2025 and 2024 and other data are presented below:

	Quarter Ended		% B/(W)[a]		Year to Date Ended		% B/(W)[a]	
	6/30/2025	6/30/2024	Reported	Ex F/X	6/30/2025	6/30/2024	Reported	Ex F/X
Company sales	$ 2,613	$ 2,528	3	3	$ 5,414	$ 5,322	2	2
Franchise fees and income	24	22	11	11	51	47	9	9
Revenues from transactions with franchisees	115	96	20	20	236	203	16	17
Other revenues	35	33	6	6	67	65	3	3
Total revenues	$ 2,787	$ 2,679	4	4	$ 5,768	$ 5,637	2	3
Company restaurant expenses	$ 2,191	$ 2,137	(3)	(2)	$ 4,472	$ 4,438	(1)	(1)
Operating Profit	$ 304	$ 266	14	14	$ 703	$ 640	10	11
OP Margin (%)	10.9%	9.9%	1.0 ppts.	1.0 ppts.	12.2%	11.4%	0.8 ppts.	0.8 ppts.
Interest income, net	25	31	(21)	(21)	51	69	(26)	(26)
Investment (loss) gain	(18)	8	NM	NM	(15)	16	NM	NM
Income tax provision	(80)	(77)	(4)	(3)	(199)	(190)	(5)	(5)
Equity in net earnings (losses) from equity method investments	2	—	NM	NM	6	—	NM	NM
Net Income – including noncontrolling interests	233	228	2	1	546	535	2	2
Net Income – noncontrolling interests	18	16	(9)	(10)	39	36	(6)	(8)
Net Income – Yum China Holdings, Inc.	$ 215	$ 212	1	1	$ 507	$ 499	1	2
Diluted Earnings Per Common Share	$ 0.58	$ 0.55	5	5	$ 1.35	$ 1.26	7	8
Effective tax rate	25.8%	25.2%			26.9%	26.2%		
Supplementary information – Non-GAAP Measures[b]								
Restaurant profit	$ 422	$ 391	7	7	$ 942	$ 884	6	7
Restaurant margin (%)	16.1%	15.5%	0.6 ppts.	0.6 ppts.	17.4%	16.6%	0.8 ppts.	0.8 ppts.
Adjusted Operating Profit	$ 304	$ 266			$ 703	$ 640		
Core Operating Profit	$ 303	$ 266			$ 708	$ 640		
Core OP Margin (%)	10.9%	9.9%			12.2%	11.4%		
Adjusted Net Income – Yum China Holdings, Inc.	$ 215	$ 212			$ 507	$ 499		
Adjusted Diluted Earnings Per Common Share	$ 0.58	$ 0.55			$ 1.35	$ 1.26		
Adjusted Effective Tax Rate	25.8%	25.2%			26.9%	26.2%		
Adjusted EBITDA	$ 427	$ 399			$ 941	$ 894		

(a) Represents the period-over-period change in percentage.

(b) See "Non-GAAP Measures" below for definitions and reconciliations of the most directly comparable GAAP financial measures to the non-GAAP measures.

Performance Metrics

	Quarter Ended 6/30/2025	Year to Date Ended 6/30/2025
	% change	% change
System Sales Growth	4%	3%
System Sales Growth, excluding F/X	4%	3%
Same-Store Sales Growth	1%	Even

Unit Count	6/30/2025	6/30/2024	% Increase
Company-owned	14,319	13,278	8
Franchisees	2,659	2,145	24
	16,978	15,423	10

Non-GAAP Measures

In addition to the results provided in accordance with GAAP throughout this MD&A, the Company provides the following non-GAAP measures:

- Measures adjusted for Special Items, which include Adjusted Operating Profit, Adjusted Net Income, Adjusted Earnings Per Common Share ("EPS"), Adjusted Effective Tax Rate and Adjusted EBITDA;
- Company Restaurant Profit ("Restaurant profit") and Restaurant margin;
- Core Operating Profit and Core OP margin, which exclude Special Items, and further adjusted for Items Affecting Comparability and the impact of F/X;

These non-GAAP measures are not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of these non-GAAP measures provides additional information to investors to facilitate the comparison of past and present results, excluding those items that the Company does not believe are indicative of our core operations.

With respect to non-GAAP measures adjusted for Special Items, the Company excludes impact from Special Items for the purpose of evaluating performance internally and uses them as factors in determining compensation for certain employees. Special Items are not included in any of our segment results.

Adjusted EBITDA is defined as net income including noncontrolling interests adjusted for equity in net earnings (losses) from equity method investments, income tax, interest income, net, investment gain or loss, depreciation and amortization, store impairment charges, and Special Items. Store impairment charges included as an adjustment item in Adjusted EBITDA primarily resulted from our semi-annual impairment evaluation of long-lived assets of individual restaurants, and additional impairment evaluation whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If these restaurant-level assets were not impaired, depreciation of the assets would have been recorded and included in EBITDA. Therefore, store impairment charges were a non-cash item similar to depreciation and amortization of our long-lived assets of restaurants. The Company believes that investors and analysts may find it useful in measuring operating performance without regard to such non-cash items.

Restaurant profit is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales, including cost of food and paper, restaurant-level payroll and employee benefits, rent, depreciation and amortization of restaurant-level assets, advertising expenses, and other operating expenses. Company restaurant margin percentage is defined as Restaurant profit divided by Company sales. We also use Restaurant profit and Restaurant margin for the purpose of internally evaluating the performance of our Company-owned restaurants and we believe they provide useful information to investors as to the profitability of our Company-owned restaurants.

Core Operating Profit is defined as Operating Profit adjusted for Special Items, and further excluding Items Affecting Comparability and the impact of F/X. We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Items such as charges, gains and accounting changes, which are viewed by management as significantly impacting the current period or the comparable period, due to changes in policy or other external factors, or non-cash items pertaining to underlying activities that are different from or unrelated to our core operations, are generally considered "Items Affecting Comparability." Examples of Items Affecting Comparability include, but are not limited to: temporary relief from landlords and government agencies; VAT deductions due to tax policy changes; and amortization of reacquired franchise rights recognized upon acquisitions. We believe presenting Core Operating Profit provides additional information to further enhance comparability of our operating results and we use this measure for purposes of evaluating the performance of our core operations. Core OP margin is defined as Core Operating Profit divided by Total revenues, excluding the impact of F/X.

The following table sets forth the reconciliations of the most directly comparable GAAP financial measures to the non-GAAP financial measures:

	Quarter Ended		Year to Date Ended	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	$ 304	$ 266	$ 703	$ 640
Special Items, Operating Profit	—	—	—	—
Adjusted Operating Profit	$ 304	$ 266	$ 703	$ 640
Reconciliation of Net Income to Adjusted Net Income				
Net Income – Yum China Holdings, Inc.	$ 215	$ 212	$ 507	$ 499
Special Items, Net Income –Yum China Holdings, Inc.	—	—	—	—
Adjusted Net Income – Yum China Holdings, Inc.	$ 215	$ 212	$ 507	$ 499
Reconciliation of EPS to Adjusted EPS				
Basic Earnings Per Common Share	$ 0.58	$ 0.55	$ 1.36	$ 1.27
Special Items, Basic Earnings Per Common Share	—	—	—	—
Adjusted Basic Earnings Per Common Share	$ 0.58	$ 0.55	$ 1.36	$ 1.27
Diluted Earnings Per Common Share	$ 0.58	$ 0.55	$ 1.35	$ 1.26
Special Items, Diluted Earnings Per Common Share	—	—	—	—
Adjusted Diluted Earnings Per Common Share	$ 0.58	$ 0.55	$ 1.35	$ 1.26
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	25.8%	25.2%	26.9%	26.2%
Impact on effective tax rate as a result of Special Items	—	—	—	—
Adjusted effective tax rate	25.8%	25.2%	26.9%	26.2%

Net income, along with the reconciliation to Adjusted EBITDA, is presented below:

	Quarter Ended		Year to Date Ended	
	6/30/2025	6/30/2024	6/30/2025	6/30/2024
Net Income – Yum China Holdings, Inc.	$ 215	$ 212	$ 507	$ 499
Net income – noncontrolling interests	18	16	39	36
Equity in net (earnings) losses from equity method investments	(2)	—	(6)	—
Income tax provision	80	77	199	190
Interest income, net	(25)	(31)	(51)	(69)
Investment loss (gain)	18	(8)	15	(16)
Operating Profit	304	266	703	640
Special Items, Operating Profit	—	—	—	—
Adjusted Operating Profit	304	266	703	640
Depreciation and amortization	110	118	219	235
Store impairment charges	13	15	19	19
Adjusted EBITDA	$ 427	$ 399	$ 941	$ 894

Reconciliation of GAAP Operating Profit to Restaurant Profit is as follows:

	Quarter Ended 6/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 292	$ 46	$ (1)	$ (33)	$ —	$ 304
Less:						
Franchise fees and income	19	2	3	—	—	24
Revenues from transactions with franchisees	17	1	17	80	—	115
Other revenues	1	6	172	17	(161)	35
Add:						
General and administrative expenses	61	26	8	36	—	131
Franchise expenses	9	1	—	—	—	10
Expenses for transactions with franchisees	15	1	16	78	—	110
Other operating costs and expenses	1	5	168	17	(161)	30
Closures and impairment expenses, net	8	3	1	—	—	12
Other income, net	—	—	—	(1)	—	(1)
Restaurant profit	$ 349	$ 73	$ —	$ —	$ —	$ 422
Company sales	2,059	545	9	—	—	2,613
Restaurant margin (%)	16.9%	13.3%	(11.5)%	N/A	N/A	16.1%

	Quarter Ended 6/30/2024					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 264	$ 40	$ (3)	$ (35)	$ —	$ 266
Less:						
Franchise fees and income	16	2	4	—	—	22
Revenues from transactions with franchisees	12	1	16	67	—	96
Other revenues	3	7	144	16	(137)	33
Add:						
General and administrative expenses	60	27	10	36	—	133
Franchise expenses	8	1	—	—	—	9
Expenses for transactions with franchisees	11	1	14	66	—	92
Other operating costs and expenses	2	6	142	16	(137)	29
Closures and impairment expenses, net	6	5	2	—	—	13
Restaurant profit	$ 320	$ 70	$ 1	$ —	$ —	$ 391
Company sales	1,983	530	15	—	—	2,528
Restaurant margin (%)	16.2%	13.2%	5.9%	N/A	N/A	15.5%

	Year to Date Ended 6/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 678	$ 106	$ (3)	$ (78)	$ —	$ 703
Less:						
Franchise fees and income	40	4	7	—	—	51
Revenues from transactions with franchisees	33	3	36	164	—	236
Other revenues	2	13	342	34	(324)	67
Add:						
General and administrative expenses	120	52	16	81	—	269
Franchise expenses	19	2	—	—	—	21
Expenses for transactions with franchisees	29	3	33	162	—	227
Other operating costs and expenses	2	11	335	34	(323)	59
Closures and impairment expenses, net	13	3	2	—	—	18
Other income, net	—	—	—	(1)	—	(1)
Restaurant profit (loss)	$ 786	$ 157	$ (2)	$ —	$ 1	$ 942
Company sales	4,267	1,129	18	—	—	5,414
Restaurant margin (%)	18.4%	13.9%	(16.0)%	N/A	N/A	17.4%

	Year to Date Ended 6/30/2024					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 636	$ 87	$ (8)	$ (75)	$ —	$ 640
Less:						
Franchise fees and income	34	4	9	—	—	47
Revenues from transactions with franchisees	26	2	36	139	—	203
Other revenues	8	12	308	31	(294)	65
Add:						
General and administrative expenses	121	54	20	78	—	273
Franchise expenses	17	2	—	—	—	19
Expenses for transactions with franchisees	23	2	33	138	—	196
Other operating costs and expenses	6	11	304	30	(293)	58
Closures and impairment expenses, net	7	5	2	—	—	14
Other income, net	—	—	—	(1)	—	(1)
Restaurant profit (loss)	$ 742	$ 143	$ (2)	$ —	$ 1	$ 884
Company sales	4,176	1,117	29	—	—	5,322
Restaurant margin (%)	17.8%	12.8%	(11.1)%	N/A	N/A	16.6%

Reconciliation of GAAP Operating Profit to Core Operating Profit is as follows:

	Quarter ended		% Change	Year to Date Ended		% Change
	6/30/2025	6/30/2024	B/(W)	6/30/2025	6/30/2024	B/(W)
Operating profit	$ 304	$ 266	14	$ 703	$ 640	10
Special Items, Operating Profit	—	—		—	—	
Adjusted Operating Profit	$ 304	$ 266	14	$ 703	$ 640	10
Items Affecting Comparability	—	—		—	—	
F/X impact	(1)	—		5	—	
Core Operating Profit	$ 303	$ 266	14	$ 708	$ 640	11
Total revenues	2,787	2,679	4	5,768	5,637	2
F/X impact	(7)	—		31	—	
Total revenues, excluding the impact of F/X	$ 2,780	$ 2,679	4	$ 5,799	$ 5,637	3
Core OP margin (%)	10.9%	9.9%	1.0 ppts.	12.2%	11.4%	0.8 ppts.

Reconciliation of GAAP Operating Profit to Core Operating Profit by segment is as follows:

	Quarter Ended 6/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 292	$ 46	$ (1)	$ (33)	$ —	$ 304
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 292	$ 46	$ (1)	$ (33)	$ —	$ 304
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	(1)	—	—	—	—	(1)
Core Operating Profit (Loss)	$ 291	$ 46	$ (1)	$ (33)	$ —	$ 303

	Quarter Ended 6/30/2024					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 264	$ 40	$ (3)	$ (35)	$ —	$ 266
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 264	$ 40	$ (3)	$ (35)	$ —	$ 266
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	—	—	—	—	—	—
Core Operating Profit (Loss)	$ 264	$ 40	$ (3)	$ (35)	$ —	$ 266

	Year to Date Ended 6/30/2025					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 678	$ 106	$ (3)	$ (78)	$ —	$ 703
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 678	$ 106	$ (3)	$ (78)	$ —	$ 703
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	4	1	—	—	—	5
Core Operating Profit (Loss)	$ 682	$ 107	$ (3)	$ (78)	$ —	$ 708

	Year to Date Ended 6/30/2024					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated	Elimination	Total
GAAP Operating Profit (Loss)	$ 636	$ 87	$ (8)	$ (75)	$ —	$ 640
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	$ 636	$ 87	$ (8)	$ (75)	$ —	$ 640
Items Affecting Comparability	—	—	—	—	—	—
F/X impact	—	—	—	—	—	—
Core Operating Profit (Loss)	$ 636	$ 87	$ (8)	$ (75)	$ —	$ 640

Segment Results

KFC

	Quarter Ended				Year to Date Ended			
			% B/(W)				% B/(W)	
	6/30/2025	6/30/2024	Reported	Ex F/X	6/30/2025	6/30/2024	Reported	Ex F/X
Company sales	$ 2,059	$ 1,983	4	4	$ 4,267	$ 4,176	2	3
Franchise fees and income	19	16	16	16	40	34	14	14
Revenues from transactions with franchisees	17	12	32	32	33	26	26	27
Other revenues	1	3	(68)	(68)	2	8	(74)	(74)
Total revenues	$ 2,096	$ 2,014	4	4	$ 4,342	$ 4,244	2	3
Company restaurant expenses	$ 1,710	$ 1,663	(3)	(3)	$ 3,481	$ 3,434	(1)	(2)
G&A expenses	$ 61	$ 60	(2)	(2)	$ 120	$ 121	1	—
Franchise expenses	$ 9	$ 8	(9)	(9)	$ 19	$ 17	(9)	(9)
Expenses for transactions with franchisees	$ 15	$ 11	(37)	(37)	$ 29	$ 23	(29)	(30)
Other operating costs and expenses	$ 1	$ 2	68	68	$ 2	$ 6	72	72
Closures and impairment expenses, net	$ 8	$ 6	(15)	(14)	$ 13	$ 7	(65)	(65)
Operating Profit	$ 292	$ 264	11	10	$ 678	$ 636	6	7
OP Margin (%)	14.0%	13.1%	0.9 ppts.	0.9 ppts.	15.6%	15.0%	0.6 ppts.	0.6 ppts.
Restaurant profit	$ 349	$ 320	9	9	$ 786	$ 742	6	6
Restaurant margin (%)	16.9%	16.2%	0.7 ppts.	0.7 ppts.	18.4%	17.8%	0.6 ppts.	0.6 ppts.

	Quarter Ended 6/30/2025	Year to Date Ended 6/30/2025
	% change	% change
System Sales Growth	5%	4%
System Sales Growth, excluding F/X	5%	4%
Same-Store Sales Growth	1%	Even

Unit Count	6/30/2025	6/30/2024	% Increase
Company-owned	10,536	9,740	8
Franchisees	1,702	1,191	43
	12,238	10,931	12

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

	Quarter Ended				
Income (Expense)	6/30/2024	Store Portfolio Actions	Other	F/X	6/30/2025
Company sales	$ 1,983	$ 54	$ 17	$ 5	$ 2,059
Cost of sales	(626)	(18)	15	(2)	(631)
Cost of labor	(513)	(15)	(27)	(1)	(556)
Occupancy and other operating expenses	(524)	(13)	15	(1)	(523)
Restaurant profit	$ 320	$ 8	$ 20	$ 1	$ 349

	Year to Date Ended				
Income (Expense)	6/30/2024	Store Portfolio Actions	Other	F/X	6/30/2025
Company sales	$ 4,176	$ 118	$ (4)	$ (23)	$ 4,267
Cost of sales	(1,320)	(41)	37	8	(1,316)
Cost of labor	(1,055)	(32)	(29)	6	(1,110)
Occupancy and other operating expenses	(1,059)	(30)	29	5	(1,055)
Restaurant profit	$ 742	$ 15	$ 33	$ (4)	$ 786

As compared to the second quarter of 2024, the increase in Company sales for the quarter, excluding the impact of F/X, was primarily driven by net unit growth and same-store sales growth. The increase in Restaurant profit for the quarter, excluding the impact of F/X, was primarily driven by the increase in Company sales, favorable commodity prices and efficiency improvement from streamlined operations, partially offset by increased rider cost associated with higher delivery sales mix in the current period, increased value-for-money offerings and wage inflation in the low single digits.

The increase in Company sales for the year to date ended June 30, 2025, excluding the impact of F/X, was primarily driven by net unit growth. The year to date increase in Restaurant profit, excluding the impact of F/X, was primarily driven by the increase in Company sales, favorable commodity prices and efficiency improvement from streamlined operations, partially offset by increased value-for-money offerings, increased rider cost associated with higher delivery sales mix in the current period and wage inflation in the low single digits.

Franchise Fees and Income/Revenues from Transactions with Franchisees

The quarter and year to date increase in Franchise fees and income and Revenues from transactions with franchisees, excluding the impact of F/X, was primarily driven by acceleration of franchise store openings.

Operating Profit

The quarter and year to date increase in Operating profit, excluding the impact of F/X, was primarily driven by the increase in Restaurant profit.

Pizza Hut

	Quarter Ended				Year to Date Ended			
			% B/(W)				% B/(W)	
	6/30/2025	6/30/2024	Reported	Ex F/X	6/30/2025	6/30/2024	Reported	Ex F/X
Company sales	$ 545	$ 530	3	3	$ 1,129	$ 1,117	1	2
Franchise fees and income	2	2	20	19	4	4	21	22
Revenues from transactions with franchisees	1	1	44	43	3	2	56	57
Other revenues	6	7	—	—	13	12	9	9
Total revenues	$ 554	$ 540	3	3	$ 1,149	$ 1,135	1	2
Company restaurant expenses	$ 472	$ 460	(3)	(2)	$ 972	$ 974	—	—
G&A expenses	$ 26	$ 27	5	5	$ 52	$ 54	4	4
Franchise expenses	$ 1	$ 1	(14)	(14)	$ 2	$ 2	(15)	(15)
Expenses for transactions with franchisees	$ 1	$ 1	(32)	(32)	$ 3	$ 2	(41)	(42)
Other operating costs and expenses	$ 5	$ 6	7	7	$ 11	$ 11	(3)	(3)
Closures and impairment expenses, net	$ 3	$ 5	37	38	$ 3	$ 5	38	38
Operating Profit	$ 46	$ 40	16	15	$ 106	$ 87	22	23
OP Margin (%)	8.3%	7.4%	0.9 ppts.	0.9 ppts.	9.2%	7.7%	1.5 ppts.	1.5 ppts.
Restaurant profit	$ 73	$ 70	4	3	$ 157	$ 143	9	10
Restaurant margin (%)	13.3%	13.2%	0.1 ppts.	0.1 ppts.	13.9%	12.8%	1.1 ppts.	1.1 ppts.

	Quarter Ended 6/30/2025	Year to Date Ended 6/30/2025
	% change	% change
System Sales Growth	4%	2%
System Sales Growth, excluding F/X	3%	3%
Same-Store Sales Growth	2%	1%

Unit Count	6/30/2025	6/30/2024	% Increase
Company-owned	3,629	3,341	9
Franchisees	235	163	44
	3,864	3,504	10

Company Sales and Restaurant Profit

The changes in Company sales and Restaurant profit were as follows:

	Quarter Ended				
Income (Expense)	6/30/2024	Store Portfolio Actions	Other	F/X	6/30/2025
Company sales	$ 530	$ 5	$ 8	$ 2	$ 545
Cost of sales	(167)	(1)	(8)	(1)	(177)
Cost of labor	(150)	(1)	(3)	—	(154)
Occupancy and other operating expenses	(143)	(2)	4	—	(141)
Restaurant profit	$ 70	$ 1	$ 1	$ 1	$ 73

	Year to Date Ended				
Income (Expense)	6/30/2024	Store Portfolio Actions	Other	F/X	6/30/2025
Company sales	$ 1,117	$ 15	$ 3	$ (6)	$ 1,129
Cost of sales	(365)	(4)	4	2	(363)
Cost of labor	(312)	(3)	(4)	2	(317)
Occupancy and other operating expenses	(297)	(6)	10	1	(292)
Restaurant profit	$ 143	$ 2	$ 13	$ (1)	$ 157

As compared to the second quarter of 2024, the increase in Company sales for the quarter, excluding the impact of F/X, was primarily driven by same-store sales growth and net unit growth. The increase in Restaurant profit for the quarter, excluding the impact of F/X, was primarily driven by the increase in Company sales, favorable commodity prices and efficiency improvement from streamlined operations, partially offset by increased value-for-money offerings, with all-you-can-eat campaign shifted to the second quarter this year, increased delivery cost associated with higher delivery sales mix in the current period and wage inflation in the low single digits.

The increase in Company sales for the year to date ended June 30, 2025, excluding the impact of F/X, was primarily driven by net unit growth and same-store sales growth, partially offset by more temporary closures mainly during the Chinese New Year holiday compared with the prior year. The year to date increase in Restaurant profit, excluding the impact of F/X, was primarily driven by the increase in Company sales, favorable commodity prices and efficiency improvement from streamlined operations, partially offset by increased value-for-money offerings, increased delivery cost associated with higher delivery sales mix in the current period and wage inflation in the low single digits.

Operating Profit

The quarter and year to date increase in Operating profit, excluding the impact of F/X, was primarily driven by the increase in Restaurant profit.

All Other Segments

All Other Segments reflects the results of Lavazza, Huang Ji Huang, Little Sheep, Taco Bell, our delivery operating segment, and for 2024, also the e-commerce segment.

	Quarter Ended				Year to Date Ended			
			% B/(W)				% B/(W)	
	6/30/2025	6/30/2024	Reported	Ex F/X	6/30/2025	6/30/2024	Reported	Ex F/X
Company sales	$ 9	$ 15	(40)	(40)	$ 18	$ 29	(38)	(37)
Franchise fees and income	3	4	(16)	(16)	7	9	(16)	(15)
Revenues from transactions with franchisees	17	16	12	11	36	36	(1)	(1)
Other revenues	172	144	19	19	342	308	11	12
Total revenues	$ 201	$ 179	13	12	$ 403	$ 382	6	6
Company restaurant expenses	$ 9	$ 14	29	29	$ 20	$ 31	35	34
G&A expenses	$ 8	$ 10	21	21	$ 16	$ 20	20	20
Expenses for transactions with franchisees	$ 16	$ 14	(13)	(13)	$ 33	$ 33	1	—
Other operating costs and expenses	$ 168	$ 142	(18)	(18)	$ 335	$ 304	(11)	(11)
Closures and impairment expenses, net	$ 1	$ 2	39	40	$ 2	$ 2	(18)	(17)
Operating Loss	$ (1)	$ (3)	48	48	$ (3)	$ (8)	63	63
OP Margin (%)	(0.8)%	(1.7)%	0.9 ppts.	0.9 ppts.	(0.8)%	(2.2)%	1.4 ppts.	1.4 ppts.
Restaurant profit (loss)	$ —	$ 1	NM	NM	$ (2)	$ (2)	10	9
Restaurant margin (%)	(11.5)%	5.9%	(17.4)ppts.	(17.4)ppts.	(16.0)%	(11.1)%	(4.9)ppts.	(4.9)ppts.

Total Revenues

The quarter and year to date increase in Total revenues of All other segments, excluding the impact of F/X, was primarily driven by inter-segment revenue generated by our delivery team for services provided to Company-owned restaurants as a result of increased delivery sales, partially offset by decline in Company sales.

Operating Loss

The quarter and year to date decrease in Operating loss, excluding the impact of F/X, was primarily driven by the decrease in Operating loss from certain emerging brands.

Corporate and Unallocated

	Quarter Ended				Year to Date Ended			
			% B/(W)				% B/(W)	
	6/30/2025	6/30/2024	Reported	Ex F/X	6/30/2025	6/30/2024	Reported	Ex F/X
Revenues from transactions with franchisees	$ 80	$ 67	19	19	$ 164	$ 139	18	19
Other revenues	$ 17	$ 16	6	6	$ 34	$ 31	9	10
Expenses for transactions with franchisees	$ 78	$ 66	(19)	(18)	$ 162	$ 138	(18)	(19)
Other operating costs and expenses	$ 17	$ 16	(8)	(7)	$ 34	$ 30	(13)	(14)
Corporate G&A expenses	$ 36	$ 36	2	2	$ 81	$ 78	(3)	(3)
Other unallocated income, net	$ (1)	$ —	NM	NM	$ (1)	$ (1)	(29)	(29)
Interest income, net	$ 25	$ 31	(21)	(21)	$ 51	$ 69	(26)	(26)
Investment (loss) gain	$ (18)	$ 8	NM	NM	$ (15)	$ 16	NM	NM
Income tax provision (See Note 12)	$ (80)	$ (77)	(4)	(3)	$ (199)	$ (190)	(5)	(5)
Equity in net earnings (losses) from equity method investments	$ 2	$ —	NM	NM	$ 6	$ —	NM	NM
Effective tax rate (See Note 12)	25.8%	25.2%	(0.6) ppts.	(0.6) ppts.	26.9%	26.2%	(0.7) ppts.	(0.7) ppts.

Revenues from Transactions with Franchisees

Revenues from transactions with franchisees primarily include revenues derived from the Company's central procurement model, whereby food and paper products are centrally purchased and then mainly sold to KFC and Pizza Hut franchisees. The quarter and year to date increase in revenues from transactions with franchisees, excluding the impact of F/X, was mainly due to the increase in system sales for franchisees primarily driven by acceleration of franchise store openings.

Interest Income, Net

The quarter and year to date decrease in interest income, net, excluding the impact of F/X, was primarily driven by lower interest rates and lower investment balance with cash used in return to shareholders.

Investment (Loss) Gain

The investment (loss) gain mainly relates to the change in fair value of our investment in Meituan. See Note 3 for additional information.

Income Tax Provision

Our income tax provision primarily includes tax on our earnings generally at the Chinese statutory tax rate of 25% with certain Chinese subsidiaries qualified for preferential tax rates, withholding tax on planned or actual repatriation of earnings outside of China, Hong Kong profits tax, and U.S. corporate income tax, if any. The higher effective tax rate for the quarter ended June 30, 2025 was primarily due to higher withholding tax associated with higher planned repatriation of earnings outside of China, and the impact from fair value change of our investment in Meituan. The higher effective tax rate for the year to date ended June 30, 2025 was primarily due to higher withholding tax associated with higher planned repatriation of earnings outside of China, less interest income subject to lower income tax rates and the impact from fair value change of our investment in Meituan.

Significant Known Events, Trends or Uncertainties Expected to Impact Future Results

Tax Examination on Transfer Pricing

We are subject to reviews, examinations and audits by Chinese tax authorities, the Internal Revenue Service and other tax authorities with respect to income and non-income based taxes. Since 2016, we have been under a national audit on transfer pricing by the STA in China regarding our related party transactions for the period from 2006 to 2015. The information and views currently exchanged with the tax authorities focus on our franchise arrangement with YUM. We continue to provide information requested by the tax authorities to the extent it is available to the Company. It is reasonably possible that there could be significant developments, including expert review and assessment by the STA, within the next 12 months. The ultimate assessment and decision of the STA will depend upon further review of the information provided, as well as ongoing technical and other discussions with the STA and in-charge local tax authorities, and therefore it is not possible to reasonably estimate the potential impact at this time. We will continue to defend our transfer pricing position. However, if the STA prevails in the assessment of additional tax due based on its ruling, the assessed tax, interest and penalties, if any, could have a material adverse impact on our financial position, results of operations and cash flows.

PRC Value-Added Tax ("VAT")

Effective May 1, 2016, a 6% output VAT replaced the 5% business tax ("BT") previously applied to certain restaurant sales. Input VAT would be creditable to the aforementioned 6% output VAT. Our new retail business is generally subject to VAT rates at 9% or 13%. The latest VAT rates imposed on our purchase of materials and services included 13%, 9% and 6%, which were gradually changed from 17%, 13%, 11% and 6% since 2017. These rate changes impact our input VAT on all materials and certain services, mainly including construction, transportation and leasing. However, the impact on our operating results was insignificant.

Entities that are general VAT taxpayers are permitted to offset qualified input VAT paid to suppliers against their output VAT upon receipt of appropriate supplier VAT invoices on an entity-by-entity basis. When the output VAT exceeds the input VAT, the difference is remitted to tax authorities, usually on a monthly basis; whereas when the input VAT exceeds the output VAT, the difference is treated as a VAT asset which can be carried forward indefinitely to offset future net VAT payables. VAT related to purchases and sales which have not been settled at the balance sheet date is disclosed separately as an asset and liability, respectively, in the Condensed Consolidated Balance Sheets. At each balance sheet date, the Company reviews the outstanding balance of any VAT asset for recoverability, giving consideration to the indefinite life of VAT assets as well as its forecasted operating results and capital spending, which inherently includes significant assumptions that are subject to change. As of June 30, 2025 and December 31, 2024, the Company has not made an allowance for the recoverability of VAT assets, as the balance is expected to be utilized to offset against VAT payables or be refunded in the future.

On June 7, 2022, the Chinese Ministry of Finance ("MOF") and the STA jointly issued Circular [2022] No. 21, to extend full VAT credit refunds to more sectors and increase the frequency for accepting taxpayers' applications. Beginning on July 1, 2022, entities engaged in providing catering services in China are allowed to apply for a lump sum refund of VAT assets accumulated prior to March 31, 2019. In addition, VAT assets accumulated after March 31, 2019 can be refunded on a monthly basis.

As of June 30, 2025, current VAT assets of $120 million, non-current VAT assets of $8 million and net VAT payable of $9 million were recorded in Prepaid expenses and other current assets, Other assets and Accounts payable and other current liabilities, respectively, in the Condensed Consolidated Balance Sheets.

The Company will continue to review the classification of VAT assets at each balance sheet date, giving consideration to different local implementation practices of refunding VAT assets and the outcome of potential administrative reviews.

We have been benefiting from the retail tax structure reform since it was implemented on May 1, 2016. However, the amount of our expected benefit from this VAT regime depends on a number of factors, some of which are outside of our control. The interpretation and application of the new VAT regime are not settled at some local governmental levels. On December 25, 2024, China enacted the prevailing VAT regulations into the VAT Law, which will come into effect on January 1, 2026. In terms of tax rates, the VAT Law maintains the existing rates of 13%, 9% and 6%. We will monitor the regulatory developments and evaluate the impact, if any, once the detailed implementation rules are released.

Foreign Currency Exchange Rate

The reporting currency of the Company is the US$. Most of the revenues, costs, assets and liabilities of the Company are denominated in Chinese Renminbi ("RMB"). Any significant change in the exchange rate between US$ and RMB may materially

affect the Company's business, results of operations, cash flows and financial condition, depending on the weakening or strengthening of RMB against the US$. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for further discussion.

Condensed Consolidated Cash Flows

Our cash flows for the years to date ended June 30, 2025 and 2024 were as follows:

Net cash provided by operating activities was $864 million in 2025 as compared to $843 million in 2024. The increase was primarily driven by the increase in Operating profit along with working capital changes.

Net cash used in investing activities was $290 million in 2025 as compared to $132 million in 2024. The increase was mainly due to the net impact on cash flows resulting from purchases and maturities of short-term investments, and long-term bank deposits and notes, partially offset by the decrease in capital spending.

Net cash used in financing activities was $709 million in 2025 as compared to $785 million in 2024. The decrease was primarily driven by the decrease in share repurchases, partially offset by the lapping impact from the proceeds from short-term bank borrowings received in prior year and repaid in current year and increase of cash dividends paid on common stock.

Liquidity and Capital Resources

Historically we have funded our operations through cash generated from the operation of our Company-owned stores and our franchise operations. Our global offering in September 2020 provided us with $2.2 billion in net proceeds.

Our ability to fund our future operations and capital needs will primarily depend on our ongoing ability to generate cash from operations. We believe our principal uses of cash in the future will be primarily to fund our operations and capital expenditures for accelerating store network expansion and store remodeling, to step up investments in digitalization, automation and logistics infrastructure, to provide returns to our stockholders, as well as to explore opportunities for investments that build and support our ecosystem or strategic acquisitions. We believe that our future cash from operations, together with our funds on hand and access to the capital markets, will provide adequate resources to fund these uses of cash, and that our existing cash, net cash from operations and credit facilities will be sufficient to fund our operations and anticipated capital expenditures for the next 12 months. We currently expect our fiscal year 2025 capital expenditures to be in the range of approximately $600 million to $700 million.

If our cash flows from operations are less than we require, we may need to access the capital markets to obtain financing. Our access to, and the availability of, financing on acceptable terms and conditions in the future or at all will be impacted by many factors, including, but not limited to:

- our financial performance;
- our credit ratings;
- the liquidity of the overall capital markets and our access to capital markets; and
- the state of the Chinese, U.S. and global economies, as well as relations between the Chinese and U.S. governments.

There can be no assurance that we will have access to the capital markets on terms acceptable to us or at all.

Generally, our income is subject to the Chinese statutory tax rate of 25%. However, to the extent our cash flows from operations exceed our China cash requirements, the excess cash may be subject to an additional 10% withholding tax levied by the Chinese tax authority, subject to any reduction or exemption set forth in relevant tax treaties or tax arrangements.

Share Repurchases and Dividends

The Company's Board of Directors has authorized an aggregate of $4.4 billion for our share repurchase program, including its most recent increase in authorization on November 4, 2024. Yum China may repurchase shares under this program from time to time in the open market or, subject to applicable regulatory requirements, through privately negotiated transactions, block trades, accelerated share repurchase transactions and the use of Rule 10b5-1 trading plans. During the years to date ended June 30, 2025 and 2024, the Company repurchased 7.7 million shares of common stock for $356 million and 21.7 million shares of common stock for $868 million, respectively, under the repurchase program, excluding transaction costs and excise tax.

For the quarters ended June 30, 2025 and 2024, the Company paid cash dividends of approximately $90 million and $62 million, respectively, and for the years to date ended June 30, 2025 and 2024, the Company paid aggregate cash dividends of approximately $180 million and $126 million, respectively, to stockholders through a quarterly dividend payment of $0.24 and $0.16 per share, respectively.

The Company plans to return $3 billion to shareholders in 2025 through 2026, adding to the $1.5 billion it delivered to shareholders in 2024. The Company expects the total return of capital for 2025 to be at least $1.2 billion.

On August 5, 2025, the Board of Directors declared a cash dividend of $0.24 per share, payable on September 23, 2025, to stockholders of record as of the close of business on September 2, 2025. The total estimated cash dividend payable is approximately $88 million.

Our plan of capital returns to shareholders is based on current expectations, which may change based on market conditions, capital needs or otherwise. In addition, our ability to declare and pay any dividends on our stock may be restricted by our earnings available for distribution under applicable Chinese laws. The laws, rules and regulations applicable to our Chinese subsidiaries permit payments of dividends only out of their accumulated profits, if any, determined in accordance with applicable Chinese accounting standards and regulations. Under Chinese laws, an enterprise incorporated in China is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. As a result, our Chinese subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. At the discretion of the board of directors, as an enterprise incorporated in China, each of our Chinese subsidiaries may allocate a portion of its after-tax profits based on Chinese accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Borrowing Capacity

As of June 30, 2025, the Company had credit facilities of RMB9,666 million (approximately $1,349 million), comprised of onshore credit facilities in the aggregate amount of RMB6,800 million (approximately $949 million), offshore credit facilities in the aggregate amount of $200 million and a credit facility of $200 million that can be used for either onshore or offshore.

The credit facilities had remaining terms ranging from less than one year to three years as of June 30, 2025. Our credit facilities mainly include term loans, overdrafts, letters of credit, banker's acceptance notes and bank guarantees. The credit facilities in general bear interest based on the Loan Prime Rate ("LPR") published by the National Interbank Funding Centre of the PRC, or Secured Overnight Financing Rate ("SOFR") published by the Federal Reserve Bank of New York. Each credit facility contains a cross-default provision whereby our failure to make any payment on a principal amount from any credit facility will constitute a default on other credit facilities. Some of the credit facilities contain covenants limiting, among other things, certain additional indebtedness and liens, and certain other transactions specified in the respective agreements. As of June 30, 2025, we had outstanding bank guarantees of RMB268 million (approximately $37 million) mainly to secure our lease payments to landlords for certain Company-owned restaurants. The credit facilities were therefore reduced by the same amount, while there were no bank borrowings outstanding as of June 30, 2025. As of June 30, 2025, the Company had unused credit facilities of approximately $1,312 million.

New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

See Note 2 for details of recently adopted accounting pronouncements.

New Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) — Improvements to Income Tax Disclosures* ("ASU 2023-09"), requiring public business entities to provide additional information in the rate reconciliation and additional disclosures about income taxes paid. ASU 2023-09 is effective for the Company's annual disclosure from 2025, with early adoption permitted. We are currently evaluating the impact the adoption of this standard may have on our financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40)* ("ASU 2024-03"), requiring public business entities to disclose in the notes to the financial statements, among other things, specific information about certain costs and expenses including purchases of inventory, employee compensation, depreciation, amortization and depletion expenses for each caption on the income statement where such expenses are included. ASU 2024-03 is effective for the Company for annual period from January 1, 2027, and for interim periods from January 1, 2028, with early adoption permitted. We are currently evaluating the impact the adoption of this standard may have on our financial statements.

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements often include words such as "may," "will," "estimate," "intend," "seek," "expect," "project," "anticipate," "believe," "plan," "could," "target," "aim," "commit," "predict," "likely," "should," "forecast," "outlook," "model," "continue," "ongoing" or other similar terminology. Forward-looking statements are based on our expectations, estimates, assumptions or projections concerning future results or events as of the date of the filing of this Form 10-Q. Our plan of capital returns to shareholders is based on current expectations, which may change based on market conditions, capital needs or otherwise. Forward-looking statements are neither predictions nor guarantees of future events, circumstances or performance and are inherently subject to known and unknown risks, uncertainties and assumptions that could cause our actual results and events to differ materially from those indicated by those statements. We cannot assure you that any of our assumptions are correct or any of our expectations, estimates or projections will be achieved. Numerous factors could cause our actual results to differ materially from those expressed or implied by forward-looking statements, including, without limitation, the following:

- Risks related to our business and industry, such as (a) food safety and foodborne illness concerns, (b) significant failure to maintain effective quality assurance systems for our restaurants, (c) significant liability claims, food contamination complaints from our customers or reports of incidents of food tampering, (d) health concerns arising from outbreaks of viruses or other illnesses, (e) the fact that the operation of our restaurants is subject to the terms of the master license agreement with YUM, (f) the fact that substantially all of our revenue is derived from our operations in China, (g) the fact that our success is tied to the success of YUM's brand strength, marketing campaigns and product innovation, (h) shortages or interruptions in the availability and delivery of food products and other supplies, (i) fluctuation of raw materials prices, (j) our inability to attain our target development goals, the potential cannibalization of existing sales by aggressive development and the possibility that new restaurants will not be profitable, (k) risks associated with leasing real estate, (l) inability to obtain desirable restaurant locations on commercially reasonable terms, (m) labor shortages or increases in labor costs, (n) the fact that our success depends substantially on our corporate reputation and on the value and perception of our brands, (o) challenges and risks related to our franchise development, (p) the occurrence of security breaches and cyber-attacks, (q) failure to protect the integrity and security of our customer or employee personal, financial or other data or our proprietary or confidential information that is stored in our information systems or by third parties on our behalf, (r) failures or interruptions of service or security breaches in our information technology systems, (s) the fact that our business depends on the performance of, and our long-term relationships with, third-party mobile payment processors, internet infrastructure operators, internet service providers, delivery aggregators and third-party e-commerce platforms, (t) failure to provide timely and reliable delivery services by our restaurants, (u) our growth strategy with respect to our coffee business may not be successful, (v) the anticipated benefits of our acquisitions may not be realized in a timely manner or at all, (w) challenges and risks related to our new retail business, (x) use of GenAI technologies, (y) our inability or failure to recognize, respond to and effectively manage the impact of social media, (z) failure to comply with anti-bribery or anti-corruption laws, (aa) U.S. federal income taxes, changes in tax rates, disagreements with tax authorities and imposition of new taxes, (bb) changes in consumer discretionary spending and general economic conditions, (cc) the fact that the restaurant industry in which we operate is highly competitive, (dd) loss of or failure to obtain or renew any or all of the approvals, licenses and permits to operate our business, (ee) our inability to adequately protect the intellectual property we own or have the right to use, (ff) our licensor's failure to protect its intellectual property, (gg) seasonality and certain major events in China, (hh) our failure to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties, (ii) the fact that our success depends on the continuing efforts of our key management and experienced and capable personnel as well as our ability to recruit new talent, (jj) our strategic investments or acquisitions may be unsuccessful; (kk) our investment in technology and innovation may not generate the expected level of returns, (ll) fair value changes for our investment in equity securities, lower yields of our short-term investments or lower returns of our future long-term bank deposits and notes may adversely affect our financial condition and results of operations, and (mm) our operating results or net income may be adversely affected by our investment in equity method investees;

- Risks related to doing business in China, such as (a) changes in Chinese political policies and economic and social policies or conditions, (b) the interpretation and enforcement of Chinese laws, rules and regulations may change from time to time with little advance notice, and the risk that the PRC government may intervene or influence our operations, which could result in a material change in our operations and/or the value of our securities to decline, (c) audit reports included in our annual reports prepared by auditors who are located in China, and in the event the PCAOB is unable to inspect our auditors, our common stock will be subject to potential delisting from the New York Stock Exchange, (d) changes in political, business, economic and trade relations between the United States and China, including rising tensions and imposition of additional tariffs on imports by both countries and related consumer reactions to such actions, (e) fluctuation in the value of the Chinese Renminbi, (f) the fact that we face increasing focus and evolving requirements on environmental sustainability issues, (g) limitation on our ability to utilize our cash balances effectively, including making funds held by our China-based subsidiaries unavailable for use outside of mainland China, due to interventions in or the imposition of restrictions and limitations by the PRC government on currency conversion and payments of foreign currency and RMB out of mainland China, (h) changes in the laws and regulations of China or noncompliance with applicable laws and regulations, (i) reliance on dividends and other distributions on equity paid by our principal subsidiaries in China to fund offshore cash requirements, (j) potential unfavorable tax consequences resulting from our classification as a China resident enterprise for Chinese enterprise income tax purposes, (k) uncertainty regarding indirect transfers of equity interests in China resident enterprises and enhanced scrutiny by Chinese tax authorities, (l) difficulties in effecting service of legal process, conducting investigations, collecting evidence, enforcing foreign judgments or bringing original actions in China against us, (m) the Chinese government may determine that the variable interest entity structure of Daojia does not comply with Chinese laws on foreign investment in restricted industries, (n) inability to use properties due to defects caused by non-registration of lease agreements related to certain properties, (o) risk in relation to unexpected land acquisitions, building closures or demolitions, (p) potential fines and other legal or administrative sanctions for failure to comply with Chinese regulations regarding our employee equity incentive plans and various employee benefit plans, (q) proceedings instituted by the SEC against certain China-based accounting firms, including our independent registered public accounting firm, could result in our financial statements being determined to not be in compliance with the requirements of the Exchange Act, (r) restrictions on our ability to make loans or additional capital contributions to our Chinese subsidiaries due to Chinese regulation of loans to, and direct investment in, Chinese entities by offshore holding companies and governmental administration of currency conversion, (s) difficulties in pursuing growth through acquisitions due to regulations regarding acquisitions, and (t) the PRC government has significant oversight and discretion to exert supervision over offerings of securities conducted outside of China and over foreign investment in China-based issuers, and may limit or completely hinder our ability to offer securities to investors, or cause the value of our securities to significantly decline;

- Risks related to the separation and related transactions, such as (a) incurring significant tax liabilities if the distribution does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes and the Company could be required to indemnify YUM for material taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement, (b) being obligated to indemnify YUM for material taxes and related amounts pursuant to indemnification obligations under the tax matters agreement if YUM is subject to Chinese indirect transfer tax with respect to the distribution, (c) potential indemnification liabilities owing to YUM pursuant to the separation and distribution agreement, (d) the indemnity provided by YUM to us with respect to certain liabilities in connection with the separation may be insufficient to insure us against the full amount of such liabilities, (e) the possibility that a court would require that we assume responsibility for obligations allocated to YUM under the separation and distribution agreement, and (f) potential liabilities due to fraudulent transfer considerations; and

- General risks, such as (a) potential legal proceedings, (b) changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters, (c) failure of our insurance policies to provide adequate coverage for claims associated with our business operations, (d) unforeseeable business interruptions, and (e) failure by us to maintain effective disclosure controls and procedures and internal control over financial reporting in accordance with the rules of the SEC.

In addition, other risks and uncertainties not presently known to us or that we currently believe to be immaterial could affect the accuracy of any such forward-looking statements. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. You should consult our filings with the SEC (including the information set forth under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024) for additional information regarding factors that could affect our financial and other results. You should not place undue reliance on forward-looking statements, which speak only as of the date of the filing of this Form 10-Q. We are not undertaking to update any of these statements, except as required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

Changes in foreign currency exchange rates impact the translation of our reported foreign currency denominated earnings, cash flows and net investments in foreign operations, virtually all of which are denominated in RMB. While substantially all of our supply purchases are denominated in RMB, from time to time, we enter into agreements with third parties to purchase certain amount of goods and services sourced overseas and make payments in the corresponding local currencies at predetermined exchange rates when practical, to minimize the related foreign currency exposure with immaterial impact on our financial statements.

As substantially all of the Company's operations are located in China, the Company is exposed to movements in the RMB foreign currency exchange rate. For the quarter and year to date ended June 30, 2025, the Company's Operating profit would have decreased by approximately $29 million and $67 million, respectively, if the RMB weakened 10% relative to the U.S. dollar. This estimated reduction assumes no changes in sales volumes or local currency sales or input prices.

Commodity Price Risk

We are subject to volatility in food costs as a result of market risk associated with commodity prices. Our ability to recover increased costs through higher pricing is, at times, limited by the competitive environment in which we operate. We manage our exposure to this risk primarily through pricing agreements with our vendors.

Investment Risk

In September 2018, we invested $74 million in 8.4 million of Meituan's ordinary shares. The Company sold 4.2 million of its ordinary shares of Meituan in the second quarter of 2020 for proceeds of approximately $54 million. Equity investment in Meituan is recorded at fair value, which is measured on a recurring basis and is subject to market price volatility. See Note 3 for further discussion on our investment in Meituan.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), the Company's management, including the CEO and the CFO, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There were no changes with respect to the Company's internal control over financial reporting during the quarter ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II – Other Information

Item 1. Legal Proceedings

Information regarding legal proceedings is incorporated by reference from Note 14 to the Company's Condensed Consolidated Financial Statements set forth in Part I of this report.

Item 1A. Risk Factors

We face a variety of risks that are inherent in our business and our industry, including operational, legal and regulatory risks. Such risks could cause our actual results to differ materially from our forward-looking statements, expectations and historical trends. Except as set below, there have been no material changes from the risk factors disclosed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on February 27, 2025.

Escalating tensions between the U.S. and China, including the imposition of additional tariffs, could have a material adverse effect on our business, financial condition, and results of operations.

The U.S. has recently imposed several rounds of tariffs on a wide range of goods imported from various countries, including China. China has also enacted additional tariffs on goods imported from the U.S. These ongoing trade measures, combined with any further deterioration in the U.S.-China bilateral relations or the emergence of tensions involving other countries, may adversely affect global economic, political, and social conditions. Heightened geopolitical tensions could reduce levels of trade, investments, technological exchanges, and other economic activities between major economies, resulting in disruptions to global supply chain, fluctuations in aggregate supply and demand, increased costs of our raw materials, and heightened operational complexities for our business.

Moreover, macroeconomic conditions in China may affect consumer discretionary spending. Uncertainties arising from U.S.-China political, business, economic and trade relations could also trigger negative consumer sentiment towards western brands in China, potentially diminishing demand for our products, which would negatively affect our business, financial condition, and results of operations.

Escalating tensions between the U.S. and China also increase the risk of U.S. regulatory actions targeting China-based companies listed in the U.S., including us. Potential regulatory actions may include restrictions or prohibitions on trading or continued listing of securities of China-based issuers. Such measures, in addition to the delisting risks associated with the HFCAA, could limit our access to the U.S. capital markets, reduce investor demand for our common stock, significantly increase the volatility of the price of our common stock, and thereby materially adversely affect our market value and shareholder value.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

As of June 30, 2025, our Board of Directors authorized an aggregate of $4.4 billion for our share repurchase program. The authorization does not have an expiration date.

The following table provides information as of June 30, 2025 with respect to shares of Yum China common stock repurchased on the NYSE and HKEX by the Company during the quarter then ended:

Period	Total Number of Shares Repurchased (thousands)	Average Price Paid Per Share[(a)]	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs (thousands)	Approximate Dollar Value of Shares that May Yet Be Repurchased under the Plans or Programs (millions)
4/1/25-4/30/25	1,328	$ 46.12	1,328	$ 1,059
5/1/25-5/31/25	1,414	$ 44.06	1,414	$ 997
6/1/25-6/30/25	1,377	$ 43.92	1,377	$ 936
Total	4,119	$ 44.68	4,119	$ 936

(a) Starting January 2024, the Company also repurchased shares of common stock through open market transactions on the HKEX. Price paid for shares repurchased on the HKEX has been converted into U.S. dollars at the exchange rate on the date of repurchase.

Item 5. Other Information

On June 13, 2025, Jeff Kuai, General Manager, Pizza Hut, entered into a stock trading plan intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended ("Exchange Act"). The plan provides for the sale of up to 12,074 shares of the Company's common stock following the exercise of share appreciation rights. The share appreciation rights subject to the stock trading plan will expire in February 2026 and November 2026. The plan will terminate on the earlier of July 31, 2026 or the date on which all sales under the plan have been completed.

Other than as disclosed above, during the quarter ended June 30, 2025, none of the Company's officers (as defined in Rule 16a-1(f) under the Exchange Act) or directors adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408 of Regulation S-K under the Exchange Act).

Item 6. Exhibits

Exhibit Number	Description of Exhibits
10.1	Senior Advisor Service Contract, dated June 19, 2025, by and between Yum China Holdings, Inc. and Peter A. Bassi.*
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document *
101.SCH	Inline XBRL Taxonomy Extension Schema Document *
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document *
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document *
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document *

* Filed or furnished herewith.
† Indicates a management contract or compensatory plan.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Yum China Holdings, Inc.
(Registrant)

Date: August 11, 2025

/s/ Xueling Lu
Controller and Principal Accounting Officer

Exhibit 10.1

Mr. Peter A. Bassi
Strictly Private & Confidential

Senior Advisor Service Contract

Dear Pete,

We are pleased to offer you the subject Term Contract ("Contract") with Yum China Holdings, Inc. ("the Company" or "Yum China") under the following terms and conditions:

1. Contract Period
   This Contract covers a period of 12 months, effective **June 1, 2025 to May 31, 2026**.

2. Work Schedule & Work Location
   You are committed to provide, based out of US, on average **14 hours** of service **per month,** not exceeding **42 hours per quarter.**

3. Role & Responsibilities
   You will attend Audit Committee meetings, Board meetings, or any other meetings or private sessions as requested by the Board or Audit Committee. You will provide governance and Board advisory services to the Board, including to the chairperson of the Board and Audit Committee of Yum China.

4. Service Fee (retainer)
   You will be paid a monthly retainer of **USD 23,100** (i.e. US$ 277,200 per annum). Hours in excess of 42 hours per quarter will be approved by the Chairperson of the Audit Committee and paid at **US$1,650 per hour** supported by time sheet.
   Our US office will arrange the payment of service fee to you monthly in arrears. You are responsible for any US tax on the retainer /service fee, as an independent consultant.

5. Business Travel and International Call Reimbursement
   For approved business travel, expenses will be reimbursed in accordance with the Company's business travel policy. If personal phone use is required to do business in China, you will submit the related invoices to Yum China for reimbursement.

6. Code of Conduct
   In your role, the Company expects that you will obey the laws and regulations and respect the lawful customs of US and the People's Republic of China and any other countries /territories which you may visit in the areas of business duties. Naturally, we would expect that you would not engage in any employment or business activity which conflicts with the business interest of the Company and its affiliates.

   In addition, you agree to be continued to be subject to the Company's Policy Regarding Transactions in YUMC Securities by Directors during the contract period.

7. Non Solicitation
   In signing this Term Contract, you agree that during the period of one (1) year following the termination of this contract, you shall not:
   Solicit or endeavor to entice away from the Company and its affiliates any other employee or person engaged (whether or not such a person would commit any breach of contract by reason leaving the service of the Company), or any customer of Yum China and its affiliates.

8. Non-Disclosure
You agree at all times (notwithstanding the termination of this contract) not to use for your own advantage, or to disclose to any third party any information concerning the business or affairs of Yum China and its affiliates, comprising trade secrets and business matters or information which you know or ought reasonably to have known to be confidential. In addition, you also agree that you shall not use or rely upon any confidential information or non-public material information relating to Yum China and/or its affiliates as the basis to purchase, sell or otherwise acquire, dispose of or transfer shares of the Company. You understand that nothing contained in this agreement limits your ability to report possible violations of law or regulation to, or file a charge or complaint with the U.S. Securities and Exchange Commission or any other federal/national, state/provincial or local/municipal governmental agency or commission ("Government Agencies"). You further understand that this agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this agreement shall limit your ability under applicable United States federal law to (i) disclose in confidence trade secrets to any Government Agency or any of its officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

9. Contract Termination
A one-month notice period is to be provided by either party if this Term Contract has to be terminated prior to May 31, 2026.

10. Indemnity
Yum China agrees to indemnify and hold you harmless from liabilities, losses or damages resulting from the performance of this Contract, including any liabilities, losses or damages arising out of any action, proceeding or investigation brought by any person or entity which involves you in any way. In addition, Yum China agrees to reimburse you for reasonable legal expenses incurred by you in connection with any such actions, proceedings or investigation.

If at any time any provision of this contract is or becomes illegal, invalid or unenforceable in any respect, the legality, validity and enforceability of the remaining provisions shall not be impaired or affected.

Kindly acknowledge your acceptance of the above terms by signing and returning the duplicate of this letter to the undersigned.

Yours sincerely,

Yum China Holdings, Inc.

By: /s/ Fred Hu
Dr. Fred Hu, Chairman of the Board of Directors, Yum China Holdings, Inc.

Date: June 19, 2025

By: /s/ Peter A. Bassi
Peter A. Bassi

Date: June 19, 2025

Exhibit 31.1

CERTIFICATION

I, Joey Wat, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yum China Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2025

/s/ Joey Wat
Joey Wat
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Adrian Ding, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Yum China Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2025

/s/ Adrian Ding
Adrian Ding
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Yum China Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Joey Wat, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2025

/s/ Joey Wat
Joey Wat
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Yum China Holdings, Inc. and will be retained by Yum China Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Yum China Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Adrian Ding, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2025

/s/ Adrian Ding
Adrian Ding
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Yum China Holdings, Inc. and will be retained by Yum China Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.